Occidental
Petroleum
Corporation

1975
Annual
Report

COVER: Massive 14,000-ton steel platform jacket is shown being towed 160 miles from a construction yard in Ardersier, Scotland, to its permanent Piper field site in the British North Sea. The jacket, 511 feet in length, now stands in 474 feet of water and will serve as the base for drilling and production equipment. Occidental Petroleum Corporation, group operator, will utilize the platform, when completed, to drill for and produce crude oil previously discovered by the company in the offshore Piper field.

Table of Contents

Occidental Petroleum Corporation
1975 Annual Report

Occidental Petroleum Corporation

Major Activities

	Oil and Gas	Coal	Chemicals	
	(amounts in millions)			
1975				
Net Sales	$3,068.3	$658.8	$1,585.2	
Operating income	$ (40.8)	$174.8	$ 170.9	
Interest income	55.2	28.0	3.9	
Interest expense	(48.1)	(7.9)	(23.2)	
Income taxes other than Libyan income taxes*	38.3	(64.3)	(65.8)	
Divisional Net Income From Continuing Operations	$ 4.6	$130.6	$ 85.8	$221.0
Discontinued operations				(2.6)
Occidental Petroleum Corporation items not allocated to major activities:				
Interest				(58.4)
Corporate administration, other corporate activities and domestic income taxes*				12.0
Occidental Petroleum Corporation Net Income				$172.0

1974	(amounts in millions)			
Net Sales	$3,287.5	$562.3	$1,688.6	
Operating income	$ 157.7	$131.1	$ 188.4	
Interest income	44.9	6.8	3.1	
Interest expense	(51.1)	(4.9)	(23.3)	
Income taxes other than Libyan income taxes*	(3.2)	(31.5)	(64.7)	
Emergency fleet gains	12.1	—	—	
Divisional Net Income From Continuing Operations	$ 160.4	$101.5	$ 103.5	$365.4
Discontinued operations				(42.0)
Occidental Petroleum Corporation items not allocated to major activities:				
Interest				(57.7)
Corporate administration, other corporate activities and domestic income taxes*				11.5
Occidental Petroleum Corporation Net Income				$277.2

*Domestic income taxes are accrued by the major activities as if they filed separate tax returns. The offsetting credit is netted against corporate administration, other corporate activities and domestic income taxes.

Occidental Petroleum Corporation is engaged in the exploration for and development and production of natural resources, principally oil and gas outside the United States and coal within the United States; the transportation of petroleum and petroleum products internationally and in the United States and the manufacture and distribution of industrial chemicals and plastics, metal-finishing chemicals and equipment and agricultural chemicals and fertilizers, both domestically and internationally. In order to compare the major activities of Occidental with other companies in the respective industries, financial statements of the company's major business activity divisions are presented elsewhere in this report as if they were separate companies. In the preparation of these statements, certain allocations of interest and other corporate costs have been made in order to present a clear financial picture for the divisions.

Occidental Petroleum Corporation

Financial Highlights

	1975	1974
Net sales from continuing operations	**$5,345,938,000**	$5,537,505,000
Income:		
From continuing operations	**$ 174,608,000**	$ 319,206,000
Discontinued operations	**$ (2,652,000)**	$ (41,981,000)
Net income	**$ 171,956,000**	$ 277,225,000
Per common share (after deducting $24,480,000 in 1975 and $19,323,000 in 1974 for preferred stock dividend requirements and amortization of discount on nonconvertible preferred stock)—		
From continuing operations	**$ 2.69**	$ 5.44
Discontinued operations	**$ (0.05)**	$ (0.76)
Net income	**$ 2.64**	$ 4.68
Average number of common shares outstanding during year	**55,883,000**	55,105,000
Number of common shareholders at year end	**278,000**	287,000
Market price of common shares, high-low	**22⅝-12⅝**	14⅝-7⅜
Number of preferred shareholders ($8.00, $4.00, $3.60, $2.50, $2.16) at year end	**49,000**	48,000
Financial position:		
Current assets	**$1,327,998,000**	$1,370,684,000
Current liabilities	**$ 783,366,000**	$ 907,021,000
Property, plant and equipment, net	**$1,928,032,000**	$1,640,931,000
Total assets	**$3,503,372,000**	$3,292,659,000
Long-term debt	**$ 853,323,000**	$1,040,309,000
Notes and amounts due to Libyan government and its agencies	**$ 272,000,000**	—
Shareholders' equity	**$1,200,606,000**	$1,036,552,000
Working capital provided from operations	**$ 418,620,000**	$ 435,637,000
Additions to property, plant and equipment	**$ 495,720,000**	$ 423,970,000
Research and development costs	**$ 25,231,000**	$ 18,597,000
Number of employees	**33,000**	34,000

To the Shareholders

Occidental Petroleum Corporation's net earnings in 1975 amounted to $171,956,000, 38 per cent below 1974's restated earnings of $277,225,000. Primary earnings per share were $2.64 in 1975 and $4.68 in 1974. 1975 sales of $5.3 billion compared with the previous year's $5.5 billion.

Taken together, profits of our coal and chemical divisions were about six per cent above the combined profits for both divisions in 1974. Coal achieved a new earnings record of $130.6 million, up 29 per cent from 1974, while chemical profits of $85.8 million (after preferred dividends) were 17 per cent below the record $103.5 million earnings in 1974.

The principal factor in the decline was a large decrease in oil and gas earnings, stemming primarily from our difficulties with Libya. Oil earnings from continuing operations in 1975 amounted to only $4.6 million compared to $160.4 million in 1974, a decline of $155.8 million.

Nevertheless, 1975 may well have been an important turning point in our oil operations. It was the year in which we confronted our problems in Libya and emerged with new agreements which contain assurances by the Libyan government regarding the future stability and profitability of our operations there and provide us with insurance against confiscation without compensation.

We have agreed with the Libyan government that our payables to that country will never be less than $272 million, the approximate level of our net Libyan investment. This feature of our agreements is unique among arrangements between host governments and international companies.

Also in 1975, we reached agreement with Petroperu, the Peruvian state oil company, for it to build and finance a 161-mile line from the six fields we discovered to the main trans-Andean pipeline.

We wrote off our entire investment of $107 million in Nigeria and Venezuela. In the former, we had not discovered fields of sufficient commercial value under recent government regulations, and in the latter, our commercial discoveries were nationalized by the Venezuelan government.

Development of our North Sea discoveries proceeded in 1975, and we expect the Piper field to come on stream in the latter part of 1976. Both the Piper and Claymore fields should be producing at substantial levels in 1977, and, if so, we expect important profits in the North Sea from early 1977 on.

Thus, a number of major problem areas have either been written off or new agreements negotiated. Although 1976 will, of course, present challenges of its own, and the favorable impact of North Sea production will not be felt before 1977, we enter 1976 with our oil activities on a much sounder and more financially secure basis than was the case a year ago.

For the second consecutive year, coal earnings reached record levels. The Island Creek Coal Division's production was lower than the previous year, but margins were higher. In the last half of 1975, coal margins came under pressure as the coal industry began to feel the effects of the slowdown in steel production and the world recession at the same time that substantial new coal production had come on stream attracted by previously prevailing higher margins.

The coal industry is now going through a period of market adjustment that is expected to result in an appreciable reduction of Island Creek's earnings in 1976. But in our view, the future prospects for coal remain bright and provide the best hope that our country can achieve a degree of independence from excessive reliance on foreign oil. And Island Creek should achieve important earnings increases in future years as new production comes on stream.

Chemical earnings in 1975 declined modestly from the previous year, reflecting the impact of the worldwide recession and also the shift in the international fertilizer market from shortage to oversupply. The year 1976 may be a period of further adjustment for the fertilizer industry with consequent lower earnings from that sector of our business. On the other hand, improving economic conditions have already strengthened industrial chemical sales and earnings.

1975 capital expenditures amounted to $496 million, an increase of $72 million over the 1974 total of $424 million. In addition, $84 million was expended for chemical facilities and $3 million for coal facilities for which the funds were obtained by means of lease financing in 1975.

Despite these large capital expenditures and the lower 1975 earnings, Occidental made substantial progress in improving its overall financial condition. Senior funded debt was reduced by $187 million, and the equity-to-senior funded debt ratio improved from 1.13-to-1 to 1.65-to-1.

Working capital at year-end 1975 increased to $545 million compared to $464 million at the end of

Dr. Armand Hammer, left, Chairman of the Board and Chief Executive Officer; Joseph E. Baird, President and Chief Operating Officer.

the previous year. Financially, the company is well positioned to sustain its aggressive capital programs designed to approximately double oil, chemical and coal productive capacity over the next five years.

Occidental's greatest strength lies in its ownership, control and development of natural resources. We presently intend to keep Occidental primarily a natural resource company.

While we intend to derive the benefits of our large investment in overseas oil activities, the future focus of our oil exploration, given international uncertainties, will be primarily on prospects in the United States should new legislation not further penalize the oil industry.

Our current plan calls for spending upward of a billion dollars to develop our domestic oil division over the next five years, barring developments adverse to the energy business. However, should the petroleum industry in the United States be unduly penalized, we would seek other outlets for that billion-dollar investment, continuing, of course, our domestic chemical and coal expansions already programmed at as rapid a pace as sustainable.

We intend to develop our high-quality coal reserves where good secure markets can be assured. We will enhance the earning power of Hooker Chemical Corporation through less dependence on commodity-type markets and more emphasis on upgrading the basic products.

We will continue with the orderly disposition of our real estate and hotel interests. Financially, we will continue our drive to attain and maintain a minimum 2-to-1 equity-to-senior funded debt ratio, and we will maintain our strong liquidity position including cash and undrawn available credit totaling $768 million at year-end 1975.

Occidental has substantially completed its program to shift medium-term bank financing from the parent company to the three separate major subsidiaries, standing on their own. Bank financing will not be employed in the future to fund long-term capital programs except on an interim basis. The impact of the above-described programs should result in substantial earnings increases from 1977 on.

By order of the board of directors,

Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

March 31, 1976

(L to R), Robert J. Caverly, Executive Vice President for Operations; W. Marvin Watson, Executive Vice President for Corporate Affairs; John J. Dorgan, Executive Vice President-Finance; Donald L. Baeder, Executive Vice President for Research and Development, and Angelo Leparulo, Executive Vice President and President, Occidental International Engineering Company.

After tow-out from construction yard in Scotland, Piper field platform jacket slides off launch barge into British North Sea preparatory to its permanent installation in upright position on sea floor.

Oil and Gas Division/Financial Highlights

	1975	1974
Net sales from continuing operations	**$3,068,304,000**	$3,287,528,000
Income:		
From continuing operations	**$ 4,610,000**	$ 160,412,000
Discontinued operations	**—**	$ (30,389,000)
Net income	**$ 4,610,000**	$ 130,023,000
Financial position:		
Current assets	**$ 646,250,000**	$ 590,245,000
Current liabilities	**$ 389,543,000**	$ 437,305,000
Property, plant and equipment, net	**$ 996,229,000**	$ 825,185,000
Total assets	**$1,662,330,000**	$1,428,245,000
Long-term debt	**$ 337,187,000**	$ 85,266,000
Notes and amounts due to Libyan government and its agencies	**$ 272,000,000**	—
Due to affiliated companies	**$ (144,240,000)**	$ 260,058,000
Division equity	**$ 749,432,000**	$ 581,200,000
Working capital provided from operations	**$ 148,742,000**	$ 167,219,000
Additions to property, plant and equipment	**$ 315,352,000**	$ 266,767,000
Number of employees	**4,400**	5,700

The following review of operations and developments of the Oil and Gas Division should be read in conjunction with the Major Activities table on page 2 of this report and Management's Discussion and Analysis of the Six Year Summary of Consolidated Operations on page 80.

Oil and Gas Division

During 1975, management responsibility for Occidental's worldwide petroleum operations was consolidated under a single division, Occidental Oil and Gas Corporation, a wholly-owned subsidiary. Robert A. Teitsworth was named chairman and chief executive officer and Thomas D. Jenkins president and chief operating officer.

In the year 1975, Oil and Gas Division net revenues declined to $3.07 billion, down 6.7 per cent from the record of $3.29 billion in 1974. The principal factor was a $558 million decrease in Libyan sales. Income from continuing operations decreased by $155.8 million from $160.4 million in 1974 to $4.6 million in 1975 (see Major Activities table).

Most of this decline was accounted for by lower profits from Libya where net income was $87 million below 1974, by write-offs of our investments in Venezuela and Nigeria, by increased charges to the oil and gas abandonment reserve and by continuing losses from marine transportation operations.

Capital expenditures during 1975 totaled $315 million compared with $267 million in 1974, the largest portion ($130 million) being investments in the North Sea.

United Kingdom—North Sea

In June, 1975, the Piper field production platform jacket was successfully placed on the floor of the North Sea in 475 feet of water about 120 miles east of the Scottish Coast. This was the most critical step in the development of the Piper field since its discovery at the end of 1972.

Occidental, as operator for a group of companies, owns a 36.5 per cent interest in six blocks in the British North Sea which total slightly over 316,000 acres. Drilling in the Piper field has established proven recoverable gross reserves of 641,800,000 barrels of oil (234,257,000 barrels net to Occidental) based on estimates by the consulting firm of DeGolyer and MacNaughton.

Work Continues Despite Weather

Work on pilings to secure the platform to the sea-bottom continued intermittently throughout the winter despite some of the worst weather ever experienced in the North Sea—winds up to 90 knots and waves up to 60 feet. The platform jacket has withstood this weather without major damage.

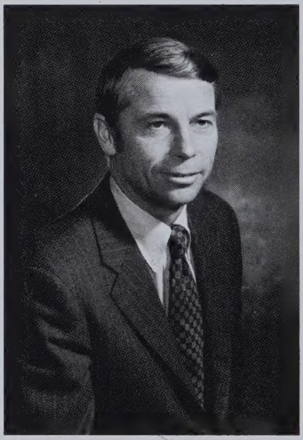
After all piles have been put in place, modules containing production and treating equipment will be installed followed by drilling modules from which up to 36 field development and service wells will be drilled.

After development drilling, initial production is expected to begin in the fourth quarter of 1976. The oil will be transported through a 30-inch pipeline extending 130 miles to the Occidental group's new marine terminal at Flotta in the Orkney Islands. By mid-1978, production from the Piper field is now expected to reach 250,000 barrels per day of which Occidental's gross share would be 91,000 barrels per day.

Claymore Field Development

During 1975, we completed the appraisal drilling program on the Occidental group's second major North Sea discovery, the Claymore field, located 20 miles west of the Piper field. DeGolyer and MacNaughton have estimated Claymore's proven recoverable reserves at 355,781,000 barrels of oil (129,860,000 net to Occidental).

A production platform is currently under construction for the Claymore field. The platform jacket is expected to be launched and set in place in approximately 360 feet of water during the summer of 1976 with first oil production anticipated in the spring of 1977. An eight-mile pipeline has been constructed connecting the Claymore field to the main pipeline which extends from the Piper field to the new Flotta terminal. By the end of 1978, Claymore production is



Left to right, Robert A. Teitsworth, Chairman, and Thomas D. Jenkins, President, Occidental Oil and Gas Corporation. Below, with Piper field platform jacket launched and afloat in the North Sea, workmen in boat move in to ballast huge structure into vertical position for installation.

Map above highlights Occidental group's activities in the British North Sea. Below, with mammoth jacket positioned successfully on sea floor, piling operation is under way after which platform modules will be installed for drilling and oil production in the Piper field.

now expected to reach a rate of about 168,000 barrels per day, of which 61,000 barrels per day would be Occidental's share.

To date, our group has drilled 13 exploratory wells and has fulfilled its exploratory obligation under all its United Kingdom North Sea petroleum licenses.

Financing for Occidental's share of Claymore field development was completed in February, 1976 with the closing of a $175 million Eurodollar loan from a consortium of international banks. Piper field financing was accomplished in 1974 through a $150 million Eurodollar loan from many of the same banks.

Operations in Libya

During the first half of 1975, earnings from Libya were at a very low level reflecting both the application of the OPEC price and tax formula, which increased the payments to host governments, and the comparatively high price of Libyan oil which made sales difficult.

First half 1975 production from Occidental's concessions, including the Libyan government's 51 per cent share, averaged 263,000 barrels per day. In June, 1975, the Libyan government encouraged increased sales and permitted increased production. This enabled total production from the concessions at one time to exceed 500,000 barrels per day.

Subsequently, the Libyan government arbitrarily reduced production levels, effective September 1, 1975. This action prompted Occidental to file notices of arbitration against the Libyan government, to suspend payments of payables pending resolution not only of disputes involving production levels but also those relating to the testing of discoveries under the exploration and production-sharing agreement, and to other breaches of our agreements. As a consequence, the Libyan government, on October 1, 1975, suspended liftings of crude oil by Occidental from the Zueitina terminal.

New Agreements Reached

In December, 1975, after a series of negotiations, new agreements were reached with the Libyan government on an amicable basis. We dismissed the pending arbitration proceedings, resumed payments of amounts due the Libyan government and the Libyan National Oil Corporation (NOC), and commenced liftings from the terminal.

The new agreements provide, among other things, that Occidental will be permitted to produce not less than 300,000 barrels per day for a three-year period with this level declining over the following seven years to not less than 250,000 barrels per day, subject to good oil field practices. In addition, Occidental has the right to buy back and market the 51 per cent of the production owned by NOC, except that, if NOC sells any of this share itself, it will offer Occidental an equal amount of buy-back oil from other Libyan fields.

The agreements also set forth the intention of the Libyan government to assure fair remuneration to Occidental and further provide that the aggregate amount of Occidental's payables to Libya for crude, taxes and royalties will not, at any time, be less than $272 million, approximating Occidental's net investment in Libya at that time. With these unique new agreements, Occidental expects to operate profitably in that country. We believe a mutually beneficial basis for operations has been established with the Libyans.

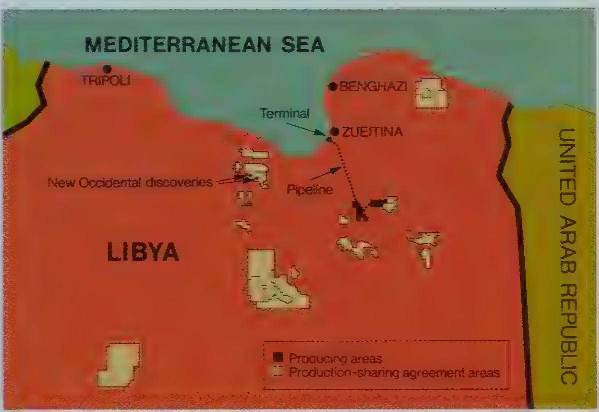
The new agreements also provide that no further investment will be required by Occidental with respect to the construction and operation of a methanol plant in Libya. Occidental's equity in the completed plant will be equivalent to the percentage which its present $20 million investment represents to the total investment in the completed facility.

Oil from company's Shiviyacu field in Peru is transported by fleet of 5,000 barrel tug-powered barges down Tigre River to port of Iquitos for delivery to Petrobras, state oil company of Brazil.

Libyan Production and Exploration

For the full year 1975, our joint production with NOC, in which we have a 49 per cent interest, totaled 107 million barrels of oil and gas liquids for an average of 294,000 barrels per day compared with an average of 340,000 barrels per day in 1974.

Exploration operations under our production-sharing agreement were resumed last December. We now have three seismic crews operating in Libya. Previous exploration efforts resulted in two small oil discoveries in 1975 in Block 29. These have been officially tested at commercial rates of 882 and 2,045 barrels per day, respectively. Subject to negotiation of a tariff agreement with the operator of a nearby pipeline, we expect the fields to be developed with production beginning during the second quarter of 1976. The terms of the production-sharing agreement provide that Libya will furnish 81 per cent of the funds required for development and Occidental 19 per cent.



Map of company's petroleum activities in Libya indicates producing and production-sharing agreement areas. Below, roughnecks at work on rotary floor making up drill pipe as Occidental seeks new oil reserves in Libyan desert.

Map features Occidental's oil operations in north-central Peru and planned trans-Andean pipeline system.

Peru Pipeline Pact Approved

In January, 1976, the Peruvian government formally approved an agreement between Occidental and Petroperu, the state oil company, providing for the transportation of Occidental's crude from our contract area to the Pacific Coast. The 15-year agreement provides that Petroperu will finance, construct and operate a 161-mile, 16-inch pipeline with a minimum capacity of 80,000 barrels per day which will connect Occidental's oil fields with the main North Peruvian trans-Andean pipeline now under construction.

Occidental will pay a basic annual tariff of $21,775,000 for the transportation of our oil through the pipeline system to a terminal at Bayovar on the Pacific Coast. It is expected that the system will be completed by the close of 1977, and that Occidental's 50 per cent share of the oil production will amount to approximately 40,000 barrels per day when peak production is attained.

Field Development Under Way

Development of the six oil fields we discovered to date on our 2.9 million-acre contract area is under way. In February, 1976, we completed our ninth oil well in the Shiviyacu field. This was our 18th successful well in Peru.

Early in 1975, oil production began from the Shiviyacu field. By year end, production from the field was averaging 8,000 barrels per day, and production facilities had been expanded to enable over 10,000 barrels per day to be produced. The oil is pumped through a pipeline to a storage terminal on the Tigre River, from which it is shipped 450 miles by river barge to the Amazon port city of Iquitos.

Occidental's 50 per cent share of the production is sold to the Brazilian state oil company, Petrobras.

Trinidad Gas Discovery

In November, 1975, a partnership group we formed to explore our 332,000-acre license areas offshore Trinidad made a natural gas discovery in a well drilled off the north coast of the island. This well tested natural gas from two zones at rates of 32 million cubic feet and 37.8 million cubic feet per

day, respectively. The discovery well was drilled at no cost to Occidental with our partners acquiring a 60 per cent interest in the licenses, and we retained a 40 per cent interest.

Another company has recently announced a second gas discovery in the area on a block adjoining a tract in which we hold a 40 per cent interest. Additional seismic evaluations and confirmation drilling will be necessary to assess the commercial significance to our group of these gas discoveries.

Bolivia Contract Area

In Bolivia, Occidental holds a 2.5 million-acre contract area in the Chaco basin with YPFB, the Bolivian national oil company.

In February, 1976, we started drilling an exploratory well to test a large structure delineated by extensive seismic surveys in Occidental's area.

Venezuela, Nigeria Investments Written Off

In 1973, Occidental discovered petroleum on Blocks A and E in south Lake Maracaibo, Venezuela. Occidental declared both blocks to be commercial under the terms of our service contracts with CVP, the Venezuelan national oil company, but CVP concurred with commerciality only on Block E.

In August, 1975, the Venezuelan government passed an oil nationalization law under which all oil concessions and service contract areas, including Occidental's, were expropriated on December 31, 1975. Under the nationalization law, Occidental would have been eligible to receive compensation, but has not been offered any because of a presidential order issued in October, 1975 in Venezuela which ordered an investigation of allegations made in a lawsuit by a disgruntled former Occidental employee that the company had made improper payments to certain Venezuelan officials. The company is unable to state whether it will be offered compensation or the possible amount or terms. Since our interests in the contract areas terminated on December 31, 1975, we have written off our total investment in Venezuela which, at that time, totaled approximately $73.4 million.

Situation With Nigeria

After a number of unsuccessful attempts to negotiate an arrangement with the Nigerian government whereby our oil discovery on oil prospecting license 90 could be economically developed, at year-end 1975 we relinquished our interest in this block and wrote off our remaining oil investment in Nigeria of approximately $33.3 million. Three other Nigerian offshore exploratory blocks had been relinquished in 1974.

These write-offs of our Venezuelan and Nigerian investments, which totaled $106.7 million, along with certain other costs of investigating oil prospects abroad, resulted in a year-end charge to operations of $19.3 million after utilization of the entire oil and gas abandonment reserve of $45.9 million and after application of a $41.5 million tax benefit.

Domestic Oil and Gas Exploration

During 1975, Occidental drilled or participated in the drilling of 28 exploratory wells (4.26 net to Occidental), of which nine resulted in discoveries of natural gas, three were oil discoveries and 16 were dry holes for a 43 per cent success ratio. This compares with the success ratio of 51 per cent on 47 exploratory wells drilled in 1974.

United States production net to Occidental's interest in 1975 averaged 7,200 barrels of oil and 49 million cubic feet of natural gas per day.

In December, 1975, Occidental and its partners were awarded five tracts in the southern California federal offshore lease sale. Four of the tracts are near the shore in San Pedro Bay, two being government-designated prime tracts which bear royalties of 33⅓ per cent. The fifth is on Tanner Bank in shallow water about 90 miles offshore.

Occidental's net share of the winning bonus bids totaled $20 million for which the company acquired varying interests averaging slightly more than 20 per cent. Exploration plans by the group are well under way, and it is planned to begin the evaluation drilling of these new tracts by mid-year if the necessary permits can be obtained.

New Offshore Discoveries

Occidental currently holds varying interests in a total of 50 federal and state tracts offshore Texas and Louisiana. Additional interests are held by our 82 per cent-owned subsidiary, Canadian Occidental Petroleum Ltd. At year-end 1975, exploration of these parcels had resulted in 21 commercial discoveries. Eight blocks have not been completely evaluated, seven tracts have been condemned as barren and 14 tracts remain to be tested.

Occidental and its partners made a significant gas discovery on Block 57, offshore Louisiana, in the second quarter of 1975. The discovery well penetrated 115 feet of net gas sands. Occidental's interest in the block is 26.67 per cent.

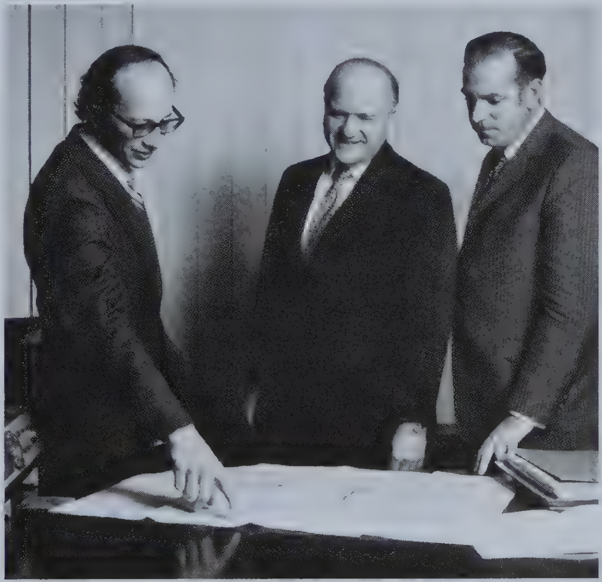
In December, 1975, Occidental and Columbia Gas Transmission Corporation concluded an advance payment agreement which will provide Occidental with a $62.5 million interest-free loan for the purpose of exploring and developing 17 federal lease blocks offshore Texas and Louisiana in return for a call on all gas produced from the tracts. The first payment under the agreement of $11.3 million was received by Occidental in mid-December.

Occidental has initiated gas price redetermination arbitration proceedings under existing sales contracts with Pacific Gas & Electric Company (PG & E) for gas production from six northern California fields in which Occidental has interests. It is our contention that PG & E's blanket offer for gas of 75 cents per Mcf to all California producers represents less than fair market value for such gas. If a decision favorable to Occidental is rendered in the matter, our revenues and earnings from these six gas fields (retroactive to July 1, 1975) could be increased substantially.

International Oil Marketing, Refining and Transportation

The world tanker market remains severely depressed. Substantial over-capacity exists due to overbuilding of very large crude carriers (VLCCs) at a time of reduced worldwide demand for energy and reduced shipping requirements following the reopening of the Suez Canal.

Occidental's marine operations recorded losses in 1975 because of losses incurred by two VLCCs and another large tanker. The remainder of the tanker fleet operated at a modest profit. We do not foresee an improvement in marine operations until world demand for petroleum resumes a growth trend.



Left to right, David B. Orser, President, Occidental International Oil, Inc.; Robert S. Mac Alister, Executive Vice President, Occidental of Britain, Inc., and John E. Brading, Executive Vice President, Occidental International Oil, Inc.

Calibrating gasoline blender master meter at company's RBP refinery located in Antwerp, Belgium, to insure accurate measurement of gasoline deliveries.

Antwerp, Belgium, Refinery

Occidental's refinery in Antwerp, Belgium, operated at an average rate of 41,500 barrels per day compared to its rated capacity of 100,000 barrels per day. Operations in 1975 were intermittent because sales realizations from refined products in the northwest European market often were not sufficiently adequate to cover the delivered cost of crude oil plus the refining cost.

To the extent possible, the refinery processed crude for others, and these arrangements accounted for approximately one-third of the year's throughput for this facility.

Occidental's Canvey Island refinery project in the United Kingdom near London remains suspended while we conduct definitive engineering studies on alternative manufacturing configurations so that we may best utilize this prime location in the light of new patterns of hydrocarbon demand. In addition, we are holding discussions with potential partners.

Left, technician checking flow on process unit for cleanup of product gas from Occidental's first commercial-size underground oil shale retort in Colorado Rockies.

Permian transport driver records delivery of drilling fluid for use in west Texas natural gas exploratory drilling operation.

The Permian Corporation

Occidental's domestic crude oil transportation and marketing subsidiary, The Permian Corporation, continued to perform well through the past year although at lower levels of profitability than the records achieved in 1974.

Permian continues to be the largest independent crude oil marketing company in the United States. In 1975, Permian's 440 crude oil truck transports traveled in excess of 37 million miles to carry an average of more than 276,000 barrels per day. Its 5,000 miles of crude oil pipeline gathering systems moved an average of over 200,000 barrels a day. In the mid-continent region of the United States, which is Permian's principal operating area, domestic production declined about five per cent during 1975, but Permian was able to maintain its crude volume at about the same level as 1974.

Oil Shale Project

During 1975, development continued under the direction of our Oil and Gas Division on Occidental's oil shale properties in the Piceance Basin of western Colorado. Our proprietary in-situ process involves preparing underground rooms (retorts) in the oil shale formation, fracturing the shale in place with conventional explosives and igniting the formation to extract the shale oil.

A third in-situ underground retort (40 feet square by 113 feet high) was operated successfully during the first half of the year. In December, 1975, a commercial-size retort (120 feet square by 270 feet high) was successfully ignited. Currently, this retort is producing approximately 250 barrels of shale oil per day and is expected to produce up to 500 barrels per day. Recovery factors are being determined from these retorts.

At the end of 1975, Occidental had invested approximately $33 million in developing its oil shale technology, of which about $20 million was expended in 1975.

Also during the year, the Ralph M. Parsons Company, an independent engineering, consulting and construction firm, was commissioned to prepare preliminary engineering design and cost estimates for developing Occidental's oil shale acreage. These cost estimates indicate that Occidental's process would require a capital investment of about one-third of that estimated by companies which would utilize a surface retorting process for developing comparable shale oil production.

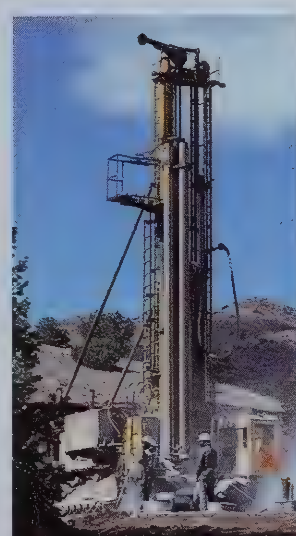
Despite the recent defeat of synthetic fuels funding legislation by Congress, we are still hopeful that government funds might be obtained from the Energy Research and Development Administration (ERDA) which could accelerate the commercialization process. However, we have stated that Occidental is prepared to continue to improve its technology without government funding.

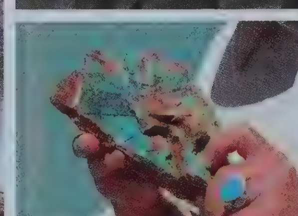
Occidental Minerals Corporation

In the past year, the company's minerals group, Occidental Minerals Corporation (Oxymin), continued its exploration and development program for base and precious metals in the United States and Australia.

At Cerrillos, New Mexico, closely-spaced drilling and metallurgical leaching tests confirmed the existence of a copper oxide deposit expected to be amenable to the "blast and leach in place" exploitation method, an approach which minimizes environmental effects and requires only a small investment.

A pilot test, including the fragmentation and leaching of a small test block, is planned for 1976.



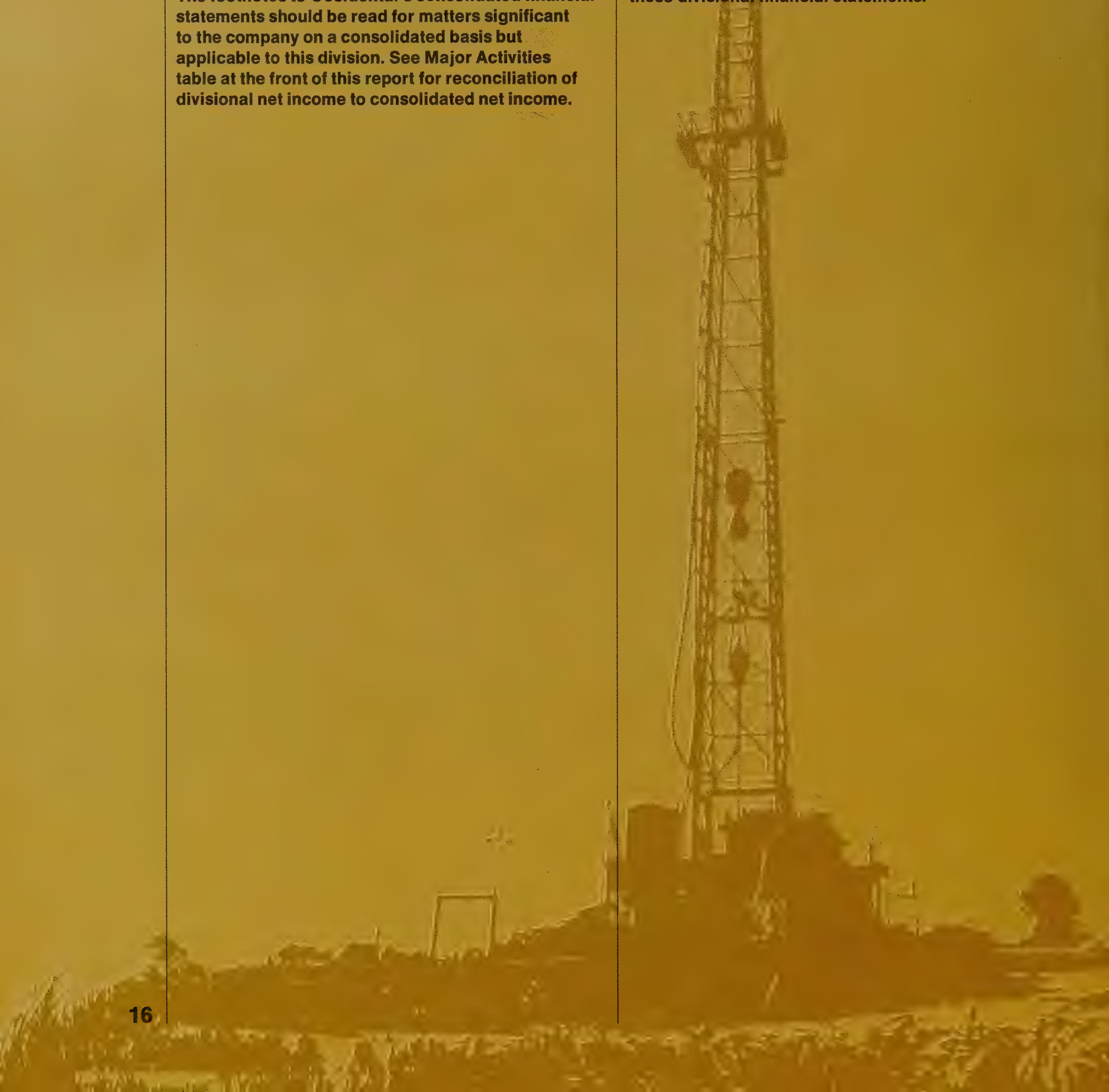


Paul A. Bailly, President, Occidental Minerals Corporation. Left, drilling nine-inch diameter development holes at Oxymin's Cerrillos, New Mexico, copper property. Right, below, sample of copper oxide mineralization.

Financial Statements and Operating Statistics

The financial statements of the Oil and Gas Division are included in the consolidated financial statements of Occidental Petroleum Corporation and Consolidated Subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our oil and gas activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of divisional net income to consolidated net income.

The report of independent public accountants on page 73 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 59 to 72). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.



Oil and Gas Division/Statements of Operations

For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
REVENUES:		
Net sales	**$3,068,304**	$3,287,528
Interest and other income	**60,007**	46,207
	3,128,311	3,333,735
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**2,637,045**	2,600,036
Selling, general and administrative and other operating expenses	**79,628**	68,925
Provision for domestic and foreign income, franchise and other taxes	**358,929**	465,338
Interest and debt expense	**48,099**	51,148
	3,123,701	3,185,447
Income from continuing operations before gains from emergency fleet position	**4,610**	148,288
GAINS FROM EMERGENCY FLEET POSITION	**—**	12,124
Income from continuing operations	**4,610**	160,412
LOSS FROM DISCONTINUED OPERATIONS	**—**	(30,389)
NET INCOME	**$ 4,610**	$ 130,023

Oil and Gas Division/Balance Sheets

December 31, 1975 and 1974

(amounts in thousands)

	1975	1974
Assets		
CURRENT ASSETS:		
Cash	$ 263,511	$ 83,750
Receivables, net of reserves	272,323	428,548
Inventories, at cost	104,995	64,365
Prepaid expenses	5,421	13,582
Total current assets	646,250	590,245
LONG-TERM RECEIVABLES, net of reserves	2,054	761
INVESTMENTS IN AND ADVANCES TO (FROM) UNCONSOLIDATED SUBSIDIARIES	867	(110)
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $479,100 in 1975 and $449,029 in 1974	996,229	825,185
OTHER ASSETS, less amortization	16,930	12,164
	$1,662,330	$1,428,245
Liabilities		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 59,804	$ 25,563
Accounts payable and accrued liabilities	324,613	351,579
Domestic and foreign income, franchise and other taxes	5,126	60,163
Total current liabilities	389,543	437,305
LONG-TERM DEBT, net of current maturities	337,187	85,266
NOTES AND AMOUNTS DUE TO LIBYAN GOVERNMENT AND ITS AGENCIES	272,000	—
DEFERRED CREDITS:		
Deferred domestic and foreign income taxes	27,922	31,647
Other	30,486	32,769
	58,408	64,416
DUE TO (FROM) AFFILIATED COMPANIES	(144,240)	260,058
DIVISION EQUITY	749,432	581,200
	$1,662,330	$1,428,245

Oil and Gas Division/Statements of Changes in Financial Position

For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 4,610	$130,023
Add (deduct) — items not using or (providing) working capital —		
Depreciation, depletion and amortization	80,242	50,353
Write-off of Venezuelan and Nigerian operations	60,878	—
Utilization of reserve for loss on emergency fleet position	—	(16,090)
Deferred tax provision	(1,279)	(5,616)
Other, net	4,291	8,549
Working capital provided from operations	148,742	167,219
Proceeds from —		
Notes and amounts due to Libyan government and its agencies	272,000	—
Reclassification of Libyan taxes	—	21,796
Sale of retail marketing facilities, net	—	10,284
Long-term borrowings	149,102	68,644
Prepaid revenues	1,820	—
Disposal of assets	1,702	1,849
Collection of notes receivable	1,470	2,711
Net capital contribution from parent	73,105	—
	647,941	272,503
USE OF FUNDS:		
Additions to property, plant and equipment	315,352	266,767
Reduction of long-term debt	10,135	15,747
Investments and advances	977	(134)
Additions to notes receivable	1,871	614
Additions to other assets	3,416	1,082
Advances to (from) affiliates	153,046	(139,781)
Reduction of working capital resulting from contribution by parent of investment in a subsidiary	50,013	—
Other	9,364	6,054
	544,174	150,349
INCREASE (DECREASE) IN WORKING CAPITAL	$103,767	$122,154
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$179,761	$ 8,632
Receivables and prepaid expenses	(164,386)	98,305
Inventories	40,630	(35,138)
	56,005	71,799
Current liabilities —		
Notes payable and current maturities of long-term debt	(34,241)	1,028
Accounts payable and accrued liabilities	26,966	30,699
Domestic and foreign income, franchise and other taxes	55,037	18,628
	47,762	50,355
INCREASE (DECREASE) IN WORKING CAPITAL	$103,767	$122,154

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
PRODUCTION:					
Crude oil (thousands of barrels per day) —					
U.S.	**7**	8	10	10	11
Libya:					
Produced for our account	**135**	158	242	423	588
Produced for Libyan government	**141**	164	112	—	—
Natural gas (MMCF per day) —					
U.S.	**49**	55	66	64	63
Number of wells in production —					
U.S.	**310.8**	322.8	325.4	332.6	341.3
Libya	**54**	58	46	51	52
Peru	**13**	—	—	—	—
SALES BY PRODUCTS (Revenue):					
United States —					
Natural gas	**$ 9,734**	$ 7,325	$ 6,904	$ 6,674	$ 6,059
Crude oil	**1,509,390**	1,360,907	678,644	556,153	542,233
Frac oil	**13,480**	12,065	4,620	4,082	3,533
Refined products	**15,253**	60,569	2,991	617	576
Latin America —					
Crude oil	**5,984**	—	—	—	—
Europe[1] —					
Crude oil	**1,046,061**	1,480,485	530,952	532,812	501,212
LPG	**48,076**	4,138	14,835	6,012	16,151
Gasoline	**79,801**	215,120	112,071	68,374	62,708
Middle distillates	**46,126**	130,351	151,783	79,768	141,743
Fuel oil	**42,613**	86,073	88,039	41,870	75,173
Asphalt	**15,873**	28,139	30,855	23,616	18,922
SALES BY PRODUCTS (volume per day):					
United States —					
Natural gas (MMCF)	**50**	55	63	64	63
Crude oil (thousands of barrels)	**436**	451	434	438	429
Frac oil (thousands of barrels)	**3**	3	3	3	3
LPG (thousands of barrels)	**1**	1	1	1	1
Europe (thousands of barrels)[1] —					
Crude oil	**254**	308	402	571	574
LPG	**10**	1	8	5	14
Gasoline	**9**	37	34	34	37
Middle distillates	**10**	23	54	55	93
Fuel oil	**12**	21	47	38	65
Asphalt	**3**	7	13	12	12

[1] 1975 sales figures for some products are lower than previous years reflecting the sale of the European retail marketing operations in December, 1974.

Oil and Gas Division/Statistical Highlights
For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
NUMBER OF EMPLOYEES:					
Exploration and production	**2,379**	1,934	1,476	1,406	1,360
Refining	**348**	678	621	655	679
Marketing and administrative	**1,663**	3,100	3,027	3,008	3,149
TRANSPORTATION:					
Marine vessels in service at end of year —					
Number of vessels:					
Owned	**3**	3	3	3	3
Chartered	**15**	19	29	36	40
Tonnage (long tons):					
Owned	**200,000**	200,000	200,000	200,000	200,000
Chartered	**1,351,000**	1,475,000	2,000,000	2,075,000	2,200,000
Volumes transported (long tons):					
For Occidental:					
Crude oil	**2,201,000**	1,206,000	6,408,000	4,874,000	9,513,000
Refined products	**84,000**	357,000	1,323,000	1,982,000	2,703,000
For others:					
Crude oil	**6,860,000**	8,952,000	8,487,000	13,967,000	11,077,000
Refined products	**714,000**	1,566,000	1,350,000	1,098,000	1,478,000
Iron ore, coal, other	**1,830,000**	1,716,000	1,384,000	1,253,000	1,111,000
PIPELINES AND TRUCKING — UNITED STATES:					
Pipeline gathering systems (miles)	**4,956**	4,987	4,983	4,882	4,879
Number of trucks utilized	**440**	440	436	410	397
Barrels handled per day	**574,000**	538,000	554,000	505,000	480,000

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
CAPITAL EXPENDITURES:			(amounts in thousands)		
Western Hemisphere —					
United States —					
Exploration:					
Leasehold costs	**$ 24,246**	$ 20,839	$ 1,350	$ 1,409	$ 2,964
Geophysical costs . . .	**2,374**	900	832	509	1,533
Drilling costs	**7,052**	1,798	478	804	7,537
Development:					
Leasehold costs	**228**	2,292	68	474	208
Drilling costs	**1,683**	1,294	2,861	6,898	4,647
Production facilities . .	**744**	1,508	1,299	1,725	1,748
Other:					
Oil Shale[1]	**19,128**	2,208	—	—	—
General property	**7,359**	7,564	3,905	3,157	5,648
Capitalized general and administrative expense	**954**	861	1,030	924	1,846
Geothermal	**331**	450	—	—	—
Other Western Hemisphere —					
Exploration:					
Leasehold costs	**83**	6,334	2,088	149	7,381
Geophysical costs . . .	**90**	5,192	5,906	6,597	1,359
Drilling costs	**9,725**	29,341	25,151	18,399	4,082
Development:					
Drilling costs	**6,332**	2,865	140	—	—
Production facilities . .	**6,036**	9,375	299	—	—
Other	**12,141**	11,186	6,099	5,307	6,694
Eastern Hemisphere—					
Exploration:					
Leasehold costs	**—**	19	49	98	6,958
Geophysical costs . . .	**8,961**	6,249	401	236	1,560
Drilling costs	**21,750**	9,288	10,945	14,030	2,161
Development:					
Drilling costs	**5,984**	3,898	65	2,254	1,325
Production facilities . .	**106,215**	72,812	20,089	11,544	31,106
Refineries	**44,367**	50,056	13,180	2,298	3,058
Other	**29,569**	20,438	12,561	6,503	18,362
Total	**$315,352**	$266,767	$108,796	$83,315	$110,177

(1)Does not include capital expenditures of $5,518 incurred prior to the transfer of this project to the Oil and Gas Division.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1975

DRILLING ACTIVITY:	**1975**	1974	1973	1972	1971
Number of wells completed, net —					
Western Hemisphere —					
United States:					
Oil	**16.2**	0.7	4.0	13.0	4.5
Gas	**8.1**	4.1	—	2.0	4.0
Dry	**30.5**	0.9	1.0	2.5	20.0
Steam	**2.6**	—	—	—	—
Other Western Hemisphere:					
Oil	**5.0**	9.0	6.0	1.0	—
Gas	**—**	—	—	—	—
Dry	**3.0**	1.4	4.0	3.0	—
Eastern Hemisphere —					
Oil	**5.6**	18.7	2.8	4.0	1.0
Gas	**—**	—	—	—	—
Dry	**9.0**	—	3.7	5.1	—
Injection Wells	**—**	—	—	3.7	—
NET RESERVES:					
UNITED STATES*—					
Oil (thousands of barrels)	**11,591**	13,866	15,903	16,003	19,242
Natural gas (MMCF)	**142,159**	162,931	170,404	258,876	346,411
FOREIGN (before royalties)*—					
Oil (thousands of barrels):					
Libya	**752,000**	747,000	780,000	1,729,000	1,648,000
U.K. — North Sea	**364,000**	364,000	234,000	—	—
Peru	**73,000**	72,000	72,000	15,000	—
Venezuela	**—**	20,000	—	—	—
Nigeria	**—**	19,000	—	—	—
Gas (MMCF):					
Libya	**954,000**	916,000	861,000	1,694,000	1,734,000
U.K. — North Sea	**101,000**	101,000	82,000	—	—
Nigeria	**—**	146,000	—	—	—
Peru	**16,000**	16,000	16,000	8,000	—

*The foreign reserve estimates were provided by a consulting firm of independent petroleum engineers and geologists. The United States reserves represent estimates by Occidental engineers.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1975

		1975	1974	1973	1972	1971
REFINERY RUNS OF CRUDE OIL:						
(barrels per day)						
For Occidental —	Capacity					
Belgium	100,000	**27,400**	28,000	84,300	89,000	91,400
Germany(1)	20,000	(1)	13,000	14,600	8,300	9,200
For others —						
Belgium		**14,100**	21,000	8,800	—	—
Germany(1)		(1)	1,000	900	800	800
INVENTORY QUANTITIES AT YEAR END:						
(thousands of barrels)						
Crude oil —						
U.S.		**1,816**	1,991	2,494	1,901	1,774
Belgium		**638**	1,900	3,555	3,233	2,853
Germany		**—**	—	1,141	82	145
Libya		**778**	1,244	161	1,866	1,247
Peru		**99**	—	—	—	—
Refined products —						
U.S.		**14**	95	71	—	—
Belgium		**3,184**	1,913	2,377	3,171	2,875
Germany		**—**	332	1,311	1,328	2,874
United Kingdom		**—**	—	1,034	722	881
Italy		**—**	63	404	445	1,924
Libya		**257**	41	244	568	56
NET PRODUCING AND PROSPECTIVE ACREAGE HELD IN FEE OR UNDER LEASE OPTIONS, RESERVATIONS, ETC.						
Location(2)						
United States		**238,456**	127,056	174,000	290,000	727,627
United Kingdom — North Sea		**115,382**	115,382	115,382	115,382	—
Nigeria		**—**	86,303	347,610	347,610	347,610
Libya(3)		**12,869,000**	12,862,000	638,104	638,241	638,241
Peru(3)		**2,882,955**	2,882,955	2,882,955	2,882,955	2,882,955
Venezuela		**—**	247,100	370,650	370,650	370,650
Bolivia(3)		**2,495,710**	2,495,710	2,495,710	—	—
Trinidad and Tobago		**331,680**	331,680	331,680	331,680	331,680
Honduras		**—**	739,913	882,452	841,727	841,727
Nicaragua		**277,188**	223,626	223,626	223,626	318,331
Angola		**288,407**	288,407	—	—	—

(1) Facility sold in December, 1974.

(2) The company also has a disputed claim to exploratory rights in an area offshore the United Arab Emirates (Trucial States) where other companies have begun commercial production.

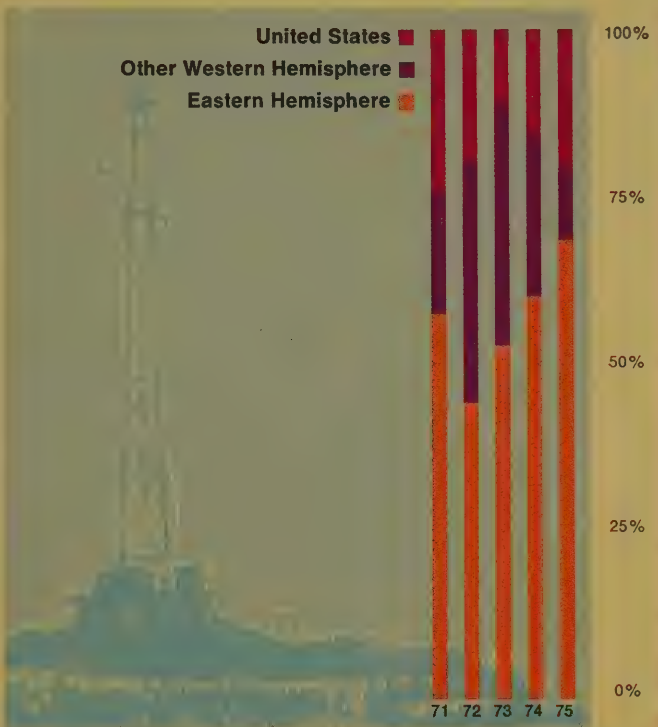
(3) Subject to production-sharing agreements with state-owned oil companies.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1975

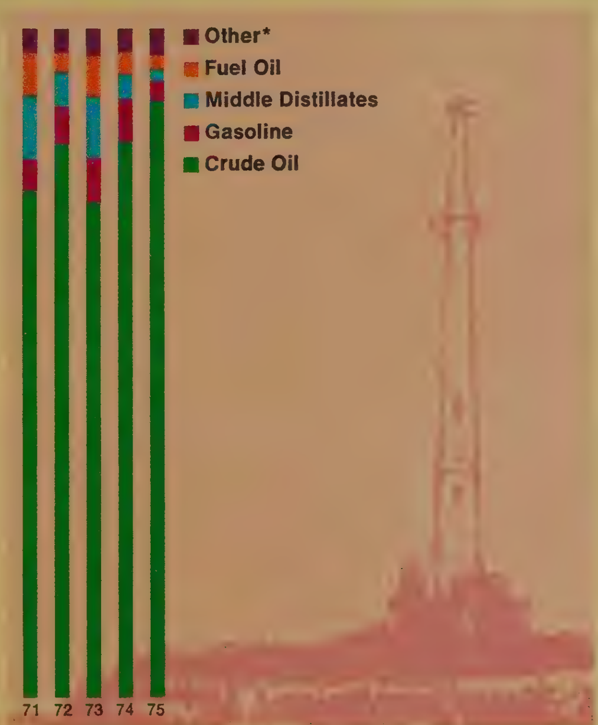
Capital Expenditures

By Location



Sales Revenues

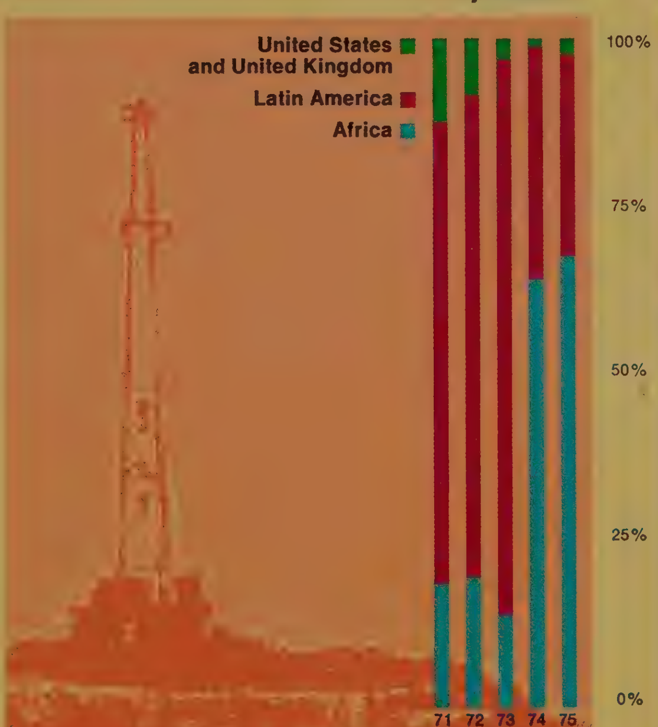
By Product



*Other includes natural gas, LPG, asphalt, frac oil and other.

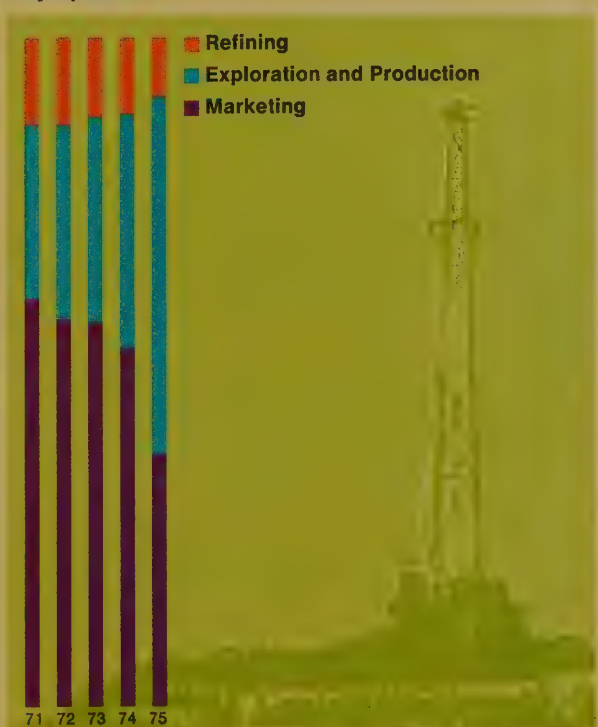
Net Producing and Prospective Acreage*

By Location



Number of Employees

By Operation



*Held in fee, lease, options, reservations

Stockpiling clean coal for shipment at Island Creek Coal Division's Gauley No. 4 mine in West Virginia. Coal storage provides continuity for mining operations and flexibility of loading.

Island Creek Coal Division/Financial Highlights

	1975	1974
Net sales	**$658,780,000**	$562,342,000
Net income	**$130,637,000**	$101,495,000
Financial position:		
Current assets	**$138,003,000**	$107,389,000
Current liabilities	**$ 77,762,000**	$ 70,967,000
Due from parent company	**$ 80,077,000**	$135,097,000
Property, plant and equipment, net	**$330,897,000**	$281,840,000
Total assets	**$583,104,000**	$553,593,000
Long-term debt	**$ 31,810,000**	$ 34,943,000
Division equity	**$255,289,000**	$304,652,000
Working capital provided from operations	**$166,515,000**	$152,863,000
Additions to property, plant and equipment	**$ 69,754,000**	$ 31,140,000
Research and development costs	**$ 1,067,000**	$ 524,000
Number of employees	**8,800**	8,100

The following review of operations and developments of the Island Creek Coal Division should be read in conjunction with the Major Activities table on page 2 of this report and Management's Discussion and Analysis of the Six Year Summary of Consolidated Operations on page 80.

Island Creek Coal Division

Record revenues and earnings were achieved for the second year in a row by the Island Creek Coal Division. Sales in 1975 totaled $658.8 million as against $562.3 million in 1974. Net income for 1975 amounted to $130.6 million, a 29 per cent improvement over 1974 earnings of $101.5 million.

This record performance for 1975 as a whole was achieved in a year marked by sharp contrasts. Strong demand and price levels prevailed in the first half of 1975. After mid-year, reduced economic activity and surplus productive capacity combined to reduce demand, exerting a steady downward pressure on spot market prices for both steam and metallurgical coal, especially on the lower-grade coals.

These conditions, which have persisted into 1976, have adversely affected Island Creek's profits which may be appreciably lower than in 1975, barring substantial improvement in the economy. However, prices have been firmer for the better quality washed coals which Island Creek produces, and since approximately 65 per cent of our production is sold under long-term contracts, we are shielded to a considerable degree from the extreme swings of the spot market.

These market factors, plus certain work stoppages, including the regional work stoppages in August and September, restricted Island Creek's production in 1975 to 19.4 million tons compared to 20.8 million tons in 1974. Sales of coal by Island Creek, including tonnage purchased from or brokered for others, were 20.3 million tons compared to 22.8 million tons in 1974.

In September of 1975, we concluded new three-year contracts to sell 1.7 million long tons a year of metallurgical coal to Japanese steel customers, superseding previous arrangements with the same customers. Deliveries on these contracts will start in April, 1976.

Albert Gore, left, Chairman of the Board, and Stonie Barker, Jr., President, Island Creek Coal Division.

These contracts call for 60 per cent of the coal to be low-volatile and 40 per cent high-volatile, while the prior contracts provided only for low-volatile coal. Moreover, the new contracts contain added provisions imposing strict penalties for failure to take contract tonnages.

In November, 1975, another long-term contract was amended by Island Creek providing for expanded sales to a major steel company in Brazil. This contract, under which prices are to be agreed upon annually, covers the sale over a five-year period, beginning in 1977, of an average of approximately one million tons per year of both high-volatile and low-volatile metallurgical coal.

Expansion Program Pursued

To supplement productive capacity from our 36 existing mines, a mine expansion program initiated in 1974 was vigorously pursued throughout 1975.

Five new mines are in various phases of engineering and construction. Three will produce metallurgical coal, and two a combination of metallurgical and steam coal. One of these will be developed in partnership with another corporation supplying a large part of the financing for the project in return for an interest in the mine's production. Other proposed new mine projects in Virginia, West Virginia and Kentucky have been identified and are currently under active consideration.

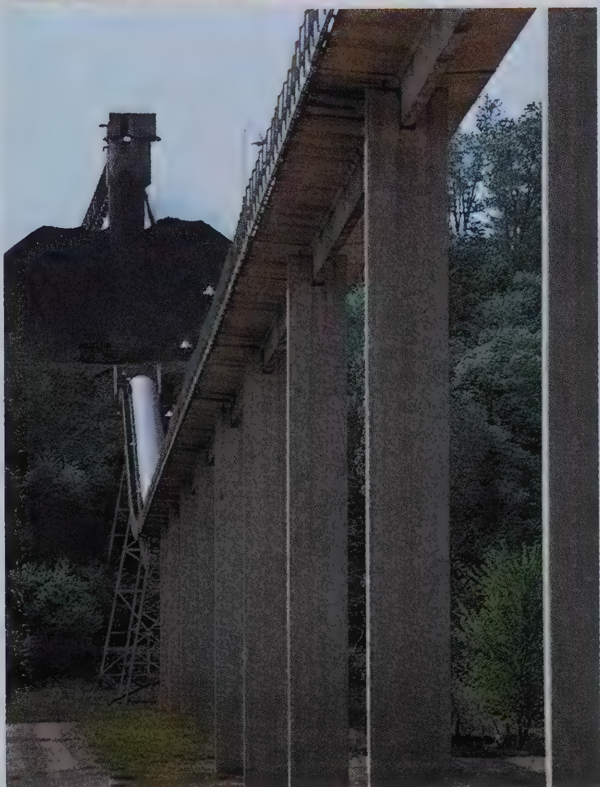
Negotiations are continuing with a Romanian governmental agency for the development of a new metallurgical mine in our premium quality, low-volatile Pocahontas reserves in western Virginia. The combined tonnage projected for these new and expanded mines will make a major contribution toward our goal of doubling productive capacity.

Capital Expenditures and Reserves

Capital expenditures for development of new mines and maintenance of existing productive capacity amounted to $70 million in 1975, more than double the expenditures in 1974. Island Creek projects a capital program for 1976 of $130 million.

Island Creek presently owns or holds under lease approximately 3.4 billion tons of recoverable coal. Nearly half of this amount is premium metallurgical and steam coal having a sulphur content of one per cent or less. Sufficient uncommitted reserves are available to support the immediate as well as longer-range expansion plans.

At the same time, our program to acquire further coal reserves continues, including new efforts to obtain western coal reserves.



Remote-controlled locomotive, operated by loadout man in tower at right, pulls rail gondolas slowly as they load cleaned, heat-dried Island Creek coal at rate of 3,000 tons per hour at Pevler mine in Kentucky. Center, comprehensive safety instruction is given to all new coal division employees. Below, belt conveyor carries processed coal from Island Creek cleaning plant to stockpile for shipment to customers.

In 1975, lost-time injuries per million man hours worked were approximately equal to the low level achieved in 1974 and half the industry-wide average, maintaining Island Creek's leadership in safety. With an increasing number of younger, less-experienced personnel entering the work force at the mines, we are strengthening our programs to maintain safe, efficient work practices.

Island Creek's employees currently total approximately 8,800, making it one of the principal employers in many areas where we operate. As our new mines are developed, this will create additional economic opportunities in these areas.

Supply and Demand

U.S. production of metallurgical and steam coals in 1975 was approximately 640 million tons, six per cent greater than in 1974. Domestic consumption and exports reached 624 million tons, only slightly greater than in 1974. This shift from a shortfall of supply in 1974 to a surplus in 1975 created the price pressures noted previously, particularly on the lower-quality coals.

Surplus conditions are expected through the first half of 1976. Thereafter, demand may increase if the economic growth predictions are realized.

Island Creek Coal Division

Financial Statements and Operating Statistics

The financial statements of the Island Creek Coal Division are included in the consolidated financial statements of Occidental Petroleum Corporation and Consolidated Subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our coal activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of divisional net income to consolidated net income.

The report of independent public accountants on page 73 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 59 to 72). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.

Island Creek Coal Division/Statements of Operations

For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
REVENUES:		
Net sales	**$658,780**	$562,342
Interest and other income	**36,755**	15,236
	695,535	577,578
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**475,109**	426,954
Selling, general and administrative and other operating expenses	**17,620**	12,723
Provision for domestic income, franchise and other taxes	**64,287**	31,463
Interest expense	**7,882**	4,943
	564,898	476,083
NET INCOME	**$130,637**	$101,495

Island Creek Coal Division/Balance Sheets
December 31, 1975 and 1974

(amounts in thousands)

Assets	1975	1974
CURRENT ASSETS:		
Cash	$ 15,466	$ 5,417
Receivables, net of reserves	103,427	85,894
Inventories, at cost	16,769	13,678
Prepaid expenses	2,341	2,400
Total current assets	138,003	107,389
LONG-TERM RECEIVABLES, net of reserves	10,953	11,474
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	9,104	8,157
DUE FROM OCCIDENTAL PETROLEUM CORPORATION	80,077	135,097
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $200,069 in 1975 and $181,601 in 1974	330,897	281,840
OTHER ASSETS	14,070	9,636
	$583,104	$553,593

Liabilities	1975	1974
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 3,466	$ 4,500
Accounts payable and accrued liabilities	71,203	63,870
State, franchise and other taxes payable	3,093	2,597
Total current liabilities	77,762	70,967
LONG-TERM DEBT, net of current maturities	31,810	34,943
DEFERRED CREDITS:		
Revenue on sale of future production	122,567	69,229
Deferred federal income taxes	49,034	47,201
Workers' compensation, net of current portion	44,789	24,685
Other	1,853	1,916
	218,243	143,031
DIVISION EQUITY	255,289	304,652
	$583,104	$553,593

Island Creek Coal Division/Statements of Changes in Financial Position

For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$130,637	$101,495
Add (deduct) — items not using or (providing) working capital —		
Depreciation, depletion and amortization	20,633	19,443
Earnings of unconsolidated subsidiaries	(5,949)	(4,455)
Provision for workers' compensation claims, net	20,104	18,097
Deferred tax provision	1,300	18,000
Other, net	(210)	283
Working capital provided from operations	166,515	152,863
Proceeds from —		
Deferred taxes transferred from parent	—	27,000
Sale of future production	60,000	56,154
Disposal of assets	274	1,701
Collection of notes receivable	1,183	2,296
Advances (to) from Occidental Petroleum Corporation, net	55,020	(135,097)
Dividends from an unconsolidated subsidiary	5,002	3,500
	287,994	108,417
USE OF FUNDS:		
Additions to property, plant and equipment	69,754	31,140
Payment of cash dividends to parent	180,000	30,000
Reduction of long-term debt	3,133	4,698
Liquidation of sale of future production	6,662	27,822
Additions to notes receivable	351	3,100
Additions to other assets	4,568	572
Other, net	(293)	1,263
	264,175	98,595
INCREASE IN WORKING CAPITAL	$ 23,819	$ 9,822
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$ 10,049	$ 4,730
Receivables and prepaid expenses	17,474	32,193
Inventories	3,091	3,517
	30,614	40,440
Current liabilities —		
Current maturities of long-term debt	1,034	4,266
Accounts payable and accrued liabilities	(7,333)	(32,935)
State, franchise and other taxes payable	(496)	(1,949)
	(6,795)	(30,618)
INCREASE IN WORKING CAPITAL	$ 23,819	$ 9,822

Island Creek Coal Division/Statistical Highlights

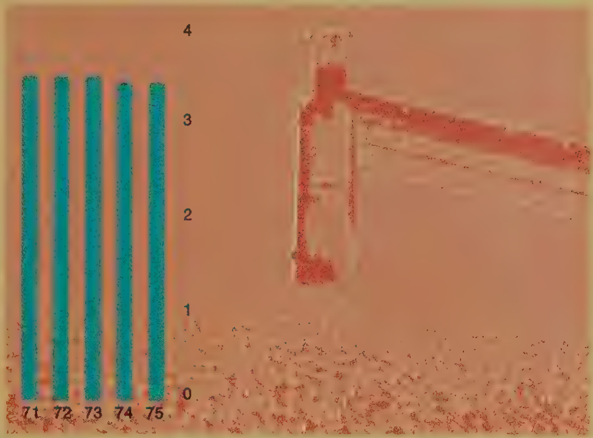
For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
PRODUCTION (amounts in thousands):					
Tons produced by own mines	**17,631**	18,760	20,394	19,760	20,639
Tons produced by jointly-owned supervised mines	**1,790**	2,088	2,486	2,845	2,234
Total tons produced	**19,421**	20,848	22,880	22,605	22,873
SALES TONNAGE BY MARKETS: (amounts in thousands)—					
Domestic:					
Utility	**11,067**	11,200	11,926	11,949	12,625
Metallurgical	**2,329**	2,700	3,526	3,360	3,315
Industrial and retail	**2,494**	4,700	4,347	4,062	4,984
Export:					
Metallurgical	**4,416**	4,200	4,806	5,259	4,468
Total	**20,306**	22,800	24,605	24,630	25,392
NUMBER OF MINES IN PRODUCTION AND DEVELOPMENT:					
Owned mines	**32**	33	32	35	38
Jointly-owned supervised mines	**4**	4	4	4	3
Total	**36**	37	36	39	41
NET SALES:					
Coal	**$638,788**	$543,060	$284,276	$235,814	$226,743
Stores and other	**19,992**	19,282	16,851	19,346	20,444
Total	**$658,780**	$562,342	$301,127	$255,160	$247,187
TOTAL ASSETS AT YEAR END	**$583,104**	$553,593	$366,658	$353,650	$331,957
CAPITAL EXPENDITURES	**$ 69,754**	$ 31,140	$ 18,022	$ 38,888	$ 61,327
SAFETY RECORD:					
Accidents per million hours worked	**12.53**	11.83	15.74	14.77	22.25
Man days lost per million hours worked	**2,788**	2,402	3,326	2,481	4,162
Tons produced divided by number of lost-time accidents	**83,161**	104,624	96,132	95,308	64,510
NUMBER OF EMPLOYEES	**8,759**	8,087	7,614	7,302	9,149
COAL RESERVES (billions of tons):					
Metallurgical	**1.2**	1.1	1.2	1.2	1.2
Steam	**2.2**	2.3	2.3	2.3	2.3
Total	**3.4**	3.4	3.5	3.5	3.5

Island Creek Coal Division/Statistical Highlights
For the five years ended December 31, 1975

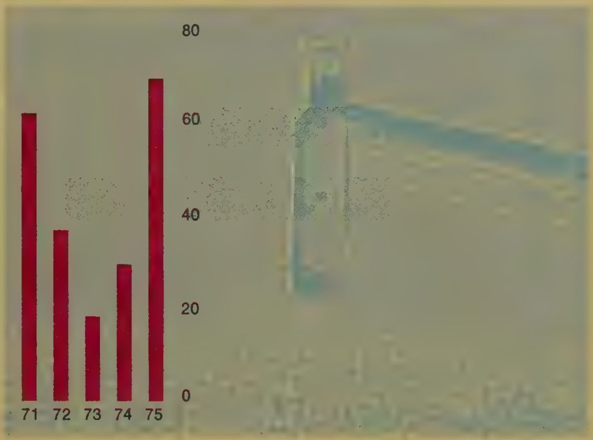
Sales
(in millions of dollars)

Reserves
(in billions of tons)

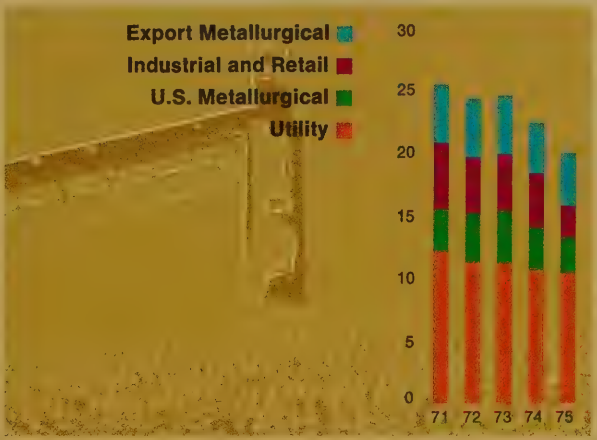


Tons Produced
(in millions)

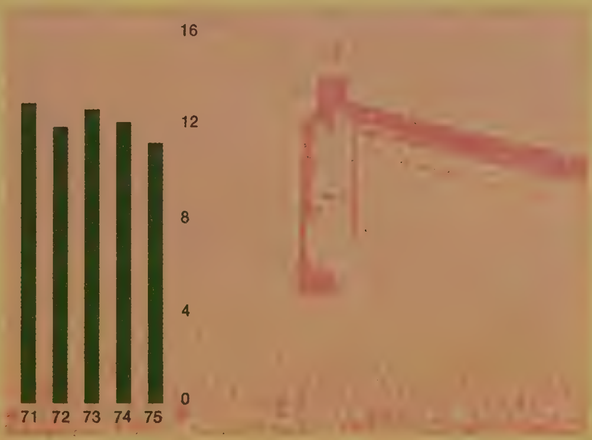
Capital Expenditures
(in millions of dollars)

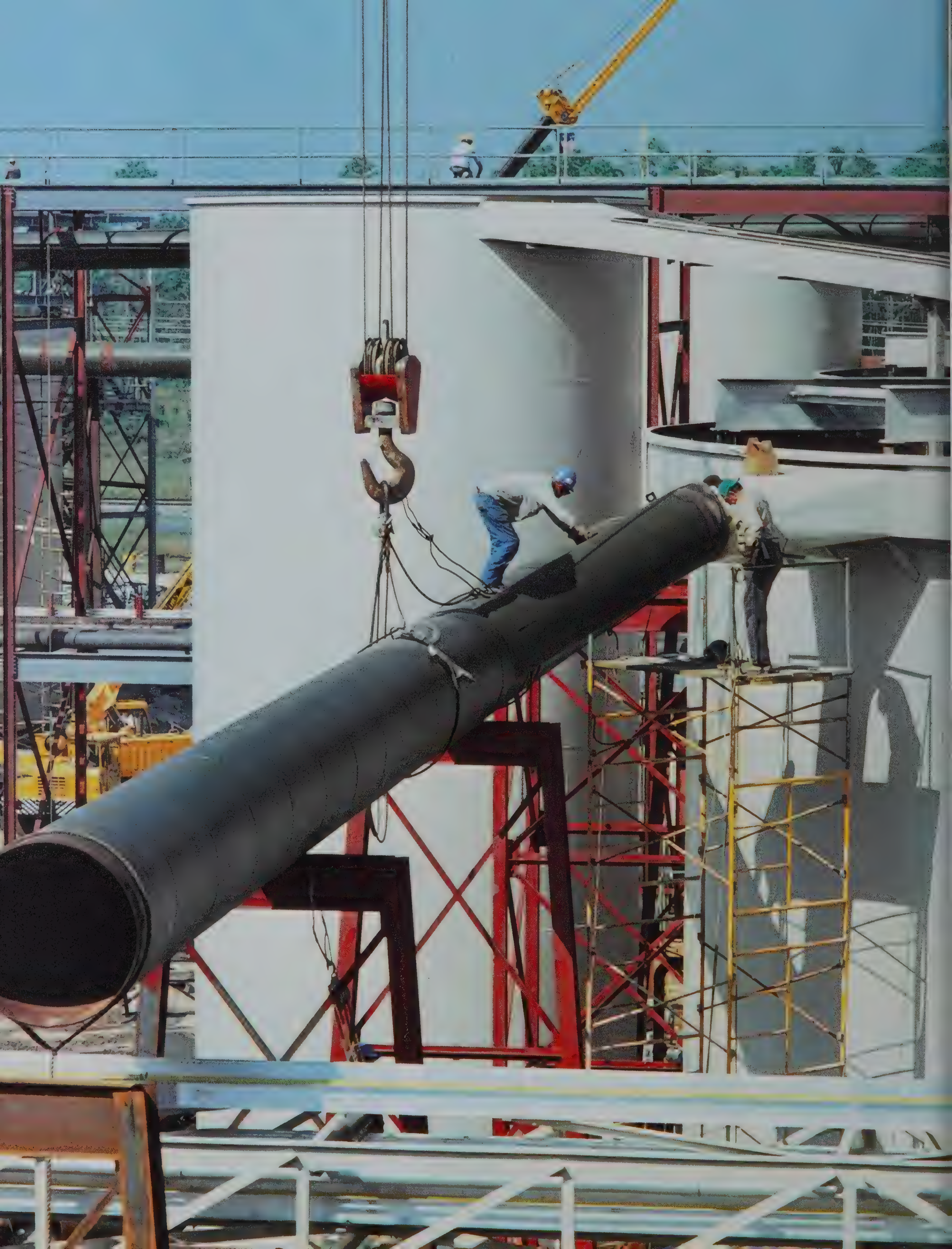


Tons (By Market)
(in millions)



Productivity
tons per mine man per day





Positioning 42-inch pipe into newly constructed hydraulic network designed to remove clay waste and expedite recovery of clarified water for plant use at Hooker's new beneficiation plant in Florida.

Hooker Chemical Division/Financial Highlights

	1975	1974
Net sales	**$1,585,156,000**	$1,688,570,000
Net income after preferred dividends	**$ 85,815,000**	$ 103,480,000
Financial position:		
Current assets	**$ 474,488,000**	$ 528,623,000
Current liabilities	**$ 253,244,000**	$ 310,770,000
Property, plant and equipment, net	**$ 591,657,000**	$ 521,263,000
Total assets	**$1,129,517,000**	$1,145,946,000
Long-term debt	**$ 212,364,000**	$ 253,792,000
Due to parent company	**$ 8,777,000**	$ 7,316,000
Shareholders' equity	**$ 555,979,000**	$ 466,146,000
Working capital provided from operations	**$ 148,744,000**	$ 159,440,000
Additions to property, plant and equipment	**$ 114,805,000**	$ 119,265,000
Research and development costs	**$ 15,449,000**	$ 12,801,000
Number of employees	**18,700**	19,000

The following review of operations and developments of the Hooker Chemical Division should be read in conjunction with the Major Activities table on page 2 of this report and Management's Discussion and Analysis of the Six Year Summary of Consolidated Operations on page 80.

Hooker Chemical Division

Despite the deterioration in world economic conditions, our chemical division in 1975 achieved the second highest net income in its history—$85.8 million (after preferred dividends of $1.4 million), 17 per cent below 1974's record earnings of $103.5 million. Chemical division sales for 1975 totaled $1.59 billion, six per cent below the $1.69 billion of sales in 1974.

Hooker Chemical Corporation, Occidental's wholly-owned chemical division, has four major operating groups:

Chemicals and Plastics—chlorine, caustic soda and other industrial and specialty chemicals; plastics, PVC resins and compounds, film and fabrics. Hooker operating companies are: Hooker Chemicals & Plastics Corp., Durez and Ruco.

Metal-Finishing—base and precious metal-plating equipment, process chemicals, precious and semi-precious metals. The Hooker operating company is Oxy Metal Industries Corporation which includes Udylite, Parker and Sel-Rex.

Fertilizers—agricultural chemicals, animal feed supplements, sulphur, fertilizers. Hooker operating companies are: Occidental Chemical Company, Jefferson Lake Sulphur Company, International Ore & Fertilizer Corporation and Leather's Chemical Company Limited.

Canadian Operations—oil and gas, sulphur and chemicals in Canada. The Hooker operating company is Canadian Occidental Petroleum Ltd.

Capital Investment Program

Hooker continued with an intensive capital investment program during 1975, expending approximately $115 million. In addition, $84 million was spent for facilities which were financed through off-balance sheet lease financing.

Approximately $6 million of these expenditures were related to environmental and pollution control projects of which approximately $1 million was in the area of vinyl chloride monomer emission controls. For 1976, Hooker's capital spending is projected at $105 million.

A. P. Gates, President and Chief Executive Officer, Hooker Chemical Division. Right, Oxy Metal Industries Corporation electronic circuitry used for debugging programs in micro processes.

Hooker Chemicals & Plastics Corp.

In 1975, Hooker Chemicals & Plastics Corp. (HC&P) registered record sales and net income for the second consecutive year. Sales of $669 million were up nine per cent from the $615 million of sales in 1974, and net income of $49 million was up 22 per cent from the $40.1 million earned in 1974.

Some segments of HC&P's business, notably electrochemicals and specialty chemicals, recorded substantially improved performances as compared with 1974. These divisions accounted for 51 per cent and 90 per cent of HC&P's sales and net income, respectively, in 1975.

Chlor-Alkali Production Increases

Chlor-alkali production in the first half of 1975 was at 64 per cent of capacity and it increased in the last half of 1975 to an average of 71 per cent of capacity.

As the economy improved over the second half of the year, the demand for HC&P's basic lines of chemicals and industrial intermediates increased.

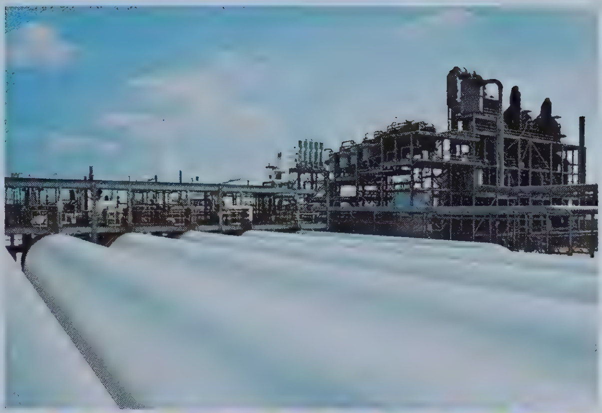
Durez and Ruco Divisions

Durez is one of the leading U.S. producers of phenolic molding compounds, supplying plastics and molding materials to such consumer markets as the automotive, housing and electronic industries. During 1975, Durez sales and income declined below 1974 levels, but improving conditions in the fourth quarter resulted in increased sales.

1975 sales of the Ruco Division were 19 per cent below the 1974 level, although 1975 net income was ten per cent above the previous year.

Ruco's major product lines are polyvinyl chloride (PVC) resins and compounds, PVC film and laminated fabrics and specialty polymers. Primary markets are the building and construction industries. Due to depressed demand, Ruco facilities operated at only 55 per cent of capacity in the first nine months of the year. In the fourth quarter, however, production rose to 75 per cent of capacity.

Considerable effort was expended in 1975 to insure compliance with both the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA) regulations. New technologies have been developed by Ruco which will allow its customers to manufacture PVC products with extremely low levels of residual vinyl chloride monomer.



Above, insulated liquid chlorine storage tanks (foreground) and 1,250-tons per day caustic soda evaporation unit (right rear) at Hooker Chemicals & Plastics Corp. plant in Taft, Louisiana. Below, inspecting open cell at Hooker's chemical complex in Niagara Falls, New York, where chlorine and caustic soda are produced.

International Division
HC&P's international division sales of $200 million were eight per cent above the 1974 level, although 1975 net income of $7.4 million was a decline of 41 per cent from the prior year.

Strong sales and profit performances by HC&P's subsidiaries in Mexico were offset by lower profits elsewhere, particularly in Brazil. During 1975, HC&P sold a 51 per cent interest at book value in its Argentinian subsidiary, Duranor, S.A.I.C., retaining 49 per cent. Political and economic developments in Argentina prompted this partial divestiture.

Oxy Metal Industries Corporation

Metal finishing, both in base and precious metals, was hard hit by the depressed conditions in the automotive, appliance, electronics and homebuilding industries. Oxy Metal Industries Corporation (OMIC) is one of the world's largest suppliers to the metal-finishing industry with domestic sales of $141 million in 1975 and international sales of $118 million, a total of $259 million. This was 27 per cent below 1974 total sales of $355 million.

Overall metal-finishing operations resulted in a loss in 1975 of $12.3 million (of which $7.7 million was nonrecurring) primarily related to inventory write-offs and the closing of certain international operations.

Hooker has undertaken a major reorganization of its metal-finishing operations including the consolidation of OMIC's domestic and international management in Warren, Michigan, a suburb of Detroit. The former international headquarters of OMIC at Geneva, Switzerland, was closed.

At the beginning of 1975, there were 3,856 employees in the Oxy Metal Industries companies. By year-end 1975, this had been reduced by 783 people, or 20 per cent. We expect metal-finishing operations to be profitable in 1976 due to corrective actions taken in 1975 and to improved market conditions.

Fertilizers—Oxychem and Interore

In 1975, there was a marked decrease in demand for fertilizers—especially in the international markets—primarily due to overstocking in anticipation of continuing shortages. Adverse weather conditions also greatly curtailed domestic shipments during the spring planting season. These factors, coupled with an oversupply situation in the second half of the year, resulted in large inventory buildups and a deterioration of fertilizer prices.

Combined domestic and international sales of our fertilizer organizations, Occidental Chemical Company (Oxychem) and International Ore & Fertilizer Corporation (Interore), were $606 million in 1975, a ten per cent drop below 1974's record of $674 million. 1975 income from the entire fertilizer division totaled $47.4 million, down 14 per cent from 1974 levels. The international fertilizer business accounted for the decline in both sales and income.

New Phosphate Facilities
Reflecting our confidence in the future growth of fertilizer demand, Oxychem completed a $175 million expansion program during 1975. Phosphoric acid (P_2O_5) production capacity increased by 350,000 tons per year to 570,000 tons per year. A new phosphate rock mine and beneficiation plant in north Florida went into operation in November, 1975. Two draglines will be operating in 1976, and when the third is installed in 1977, Oxychem's rock mining capacity will be increased by 2.3 million tons per year to slightly more than five million tons per year.

Oxychem also completed a 90,000 tons per year ammonia plant at the Taft, Louisiana, chemical complex. This new plant utilizes by-product hydrogen from Hooker's chlorine-caustic soda production which previously had been used as boiler fuel.

With startup of new Swift Creek mine in 1975, Oxychem now has two phosphate rock mines in Florida. Huge dragline places phosphate ore into the "well" where high-pressure streams slurry the matrix for processing and recovery of phosphate.

Domestic Sulphur

Jefferson Lake Sulphur Company broke all previous production records in 1975—333,000 tons of high-quality sulphur compared with 318,000 tons in 1974. Most of Jefferson Lake's sulphur is used by Oxychem for its own phosphate fertilizer production.

Sulphur prices reached record high levels during 1975, caused in part by the accelerating cost of fuel required to produce the sulphur. Weaknesses in sulphur prices began to develop near year end.

Canadian Occidental Petroleum Ltd.

Hooker's 82 per cent-owned subsidiary, Canadian Occidental Petroleum Ltd. (Canoxy), completed another successful year in 1975 with revenues and net income well ahead of the records established in the previous year. The following table sets forth a comparison of revenues and net income for the years 1975 and 1974:

	Revenues 1975	Revenues 1974	Net Income 1975	Net Income 1974
	(amounts in thousands)			
Oil, gas and sulphur	$19,011	$10,682	$ 7,607	$1,288
Chemicals	32,646	33,580	4,455	5,152
	$51,657	$44,262	$12,062	$6,440

All dollar amounts reported for Canadian Occidental Petroleum Ltd. are stated in Canadian currency.

The significant gains in revenues and net income for Canoxy's oil and gas operations were the result of higher prices for natural gas. In 1975, the average price realized for natural gas was 80 cents per Mcf compared to 29 cents in 1974. At year end, the price of gas increased to 98 cents per Mcf.

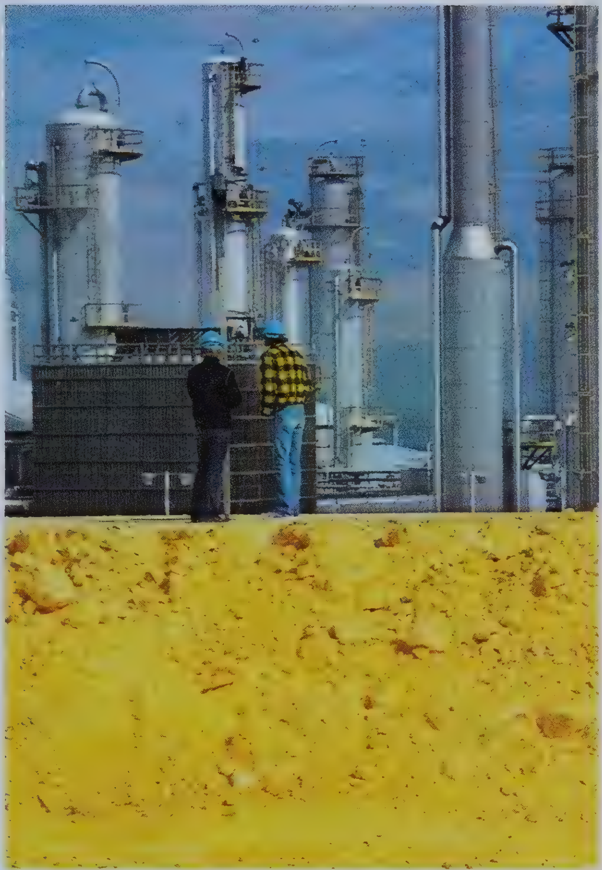
Income in the chemicals sector was adversely affected by the industrywide strike in the British Columbia pulp and paper industry which curtailed all shipments to pulp mill customers during a period of three months beginning in mid-July, 1975.

Active in U.S. Gulf Coast

Canoxy has working interests ranging from 3.6 per cent to 20 per cent in 20 petroleum leases in the U.S. Gulf Coast. Canoxy participated in the drilling of ten Gulf Coast wells in 1975, of which one is capable of oil production and five were gas wells. Development drilling was started recently from two permanent drilling and production platforms in the Texas High Island area with initial production scheduled for 1977.

In western Canada, Canoxy participated in the drilling of 38 wells (averaging 16 per cent net to Canoxy) of which two were oil wells and 12 were gas wells. Early in December, Canoxy began a 15-well development drilling program in the Paddle Prairie area of northern Alberta as the first step towards development of some 50,000 acres of established shallow gas reserves in which Canoxy has a 50 per cent interest.

In July, 1975, Canoxy initiated the payment of dividends on its common shares at the rate of 12½ cents per quarter, or 50 cents per year.



View atop 35-foot high sulphur stockpile at plant near Calgary, Alberta, operated by Canadian Occidental Petroleum Ltd., reveals portion of processing facility where sulphur compounds are extracted from raw natural gas.

Russian Fertilizer Project

During 1975, Occidental's major fertilizer project with the U.S.S.R. progressed according to plan. The Soviets are making massive investments in ammonia and urea manufacturing facilities, terminals and transportation facilities in order to meet their supply obligations which begin in 1978-1979. During that period, Oxychem expects to begin deliveries of superphosphoric acid (SPA) from Florida to the U.S.S.R. We anticipate future capital expenditures of approximately $395 million in order to meet these requirements, of which we expect to spend about $4 million in 1976.

Occidental has a $100 million contract with Russia to supply technology, design, construction supervisory services and equipment for ammonia and SPA marine terminal facilities at Odessa on the Black Sea and Ventspils on the Baltic Sea. In addition, Occidental and a French company were awarded a $300 million contract to build a 1,500-mile ammonia pipeline from Togliatti to Odessa. This will be the largest ammonia pipeline in the world.

Financial Statements and Operating Statistics

The financial statements of Hooker Chemical Corporation and consolidated subsidiaries are included in the consolidated financial statements of Occidental Petroleum Corporation and Consolidated Subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our chemical activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of divisional net income to consolidated net income.

The report of independent public accountants on page 73 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 59 to 72). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.

Hooker Chemical Corporation and Consolidated Subsidiaries
Statements of Operations
For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
REVENUES:		
Net sales	**$1,585,156**	$1,688,570
Interest and other income	**21,913**	20,804
	1,607,069	1,709,374
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**1,213,007**	1,342,474
Selling, general and administrative and other operating expenses	**214,115**	173,120
Provision for domestic and foreign income, franchise and other taxes	**65,807**	64,724
Interest expense	**23,197**	23,303
Minority interests in net income of subsidiaries	**3,689**	2,273
	1,519,815	1,605,894
NET INCOME	**87,254**	103,480
PREFERRED DIVIDEND REQUIREMENTS	**1,439**	—
EARNINGS APPLICABLE TO OCCIDENTAL	**$ 85,815**	$ 103,480

Hooker Chemical Corporation and Consolidated Subsidiaries
Balance Sheets
December 31, 1975 and 1974

(amounts in thousands)

Assets	1975	1974
CURRENT ASSETS:		
Cash	$ 42,239	$ 33,879
Receivables, net of reserves	230,134	239,950
Inventories, at cost	188,267	244,433
Prepaid expenses and other	13,848	10,361
Total current assets	474,488	528,623
LONG-TERM RECEIVABLES, net of reserves	9,489	3,883
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES	16,162	12,705
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $381,604 in 1975 and $355,457 in 1974	591,657	521,263
OTHER ASSETS, less amortization	37,721	79,472
	$1,129,517	$1,145,946

Liabilities	1975	1974
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 47,502	$ 42,739
Accounts payable and accrued liabilities	185,562	225,409
Domestic and foreign income, franchise and other taxes	20,180	42,622
Total current liabilities	253,244	310,770
LONG-TERM DEBT, net of current maturities	212,364	253,792
DEFERRED CREDITS:		
Deferred domestic and foreign income taxes	53,885	38,504
Other	5,044	31,838
	58,929	70,342
MINORITY EQUITY IN SUBSIDIARIES	40,224	37,580
DUE TO OCCIDENTAL PETROLEUM CORPORATION	8,777	7,316
SHAREHOLDERS' EQUITY:		
Preferred stock	600	—
Common shares	22,500	22,500
Additional paid-in capital	178,706	148,708
Retained earnings	354,173	294,938
	555,979	466,146
	$1,129,517	$1,145,946

Hooker Chemical Corporation and Consolidated Subsidiaries
Statements of Changes in Financial Position
For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	**$ 87,254**	$103,480
Add—items not using working capital —		
Depreciation, depletion and amortization	**44,981**	43,374
Earnings of unconsolidated subsidiaries and minority interests	**2,069**	1,252
Deferred tax provision	**14,312**	10,085
Other, net	**128**	1,249
Working capital provided from operations	**148,744**	159,440
Proceeds from —		
Long-term borrowings	**23,649**	82,561
Disposal of assets	**5,749**	3,305
Collection of notes receivable	**4,967**	1,645
Issuance of preferred stock	**30,000**	—
Issuance of stock to minority shareholders of subsidiary	**—**	18,105
Capital project construction financing	**—**	28,631
Reimbursement for capital project expenditures, net	**43,898**	—
Other, net	**1,390**	(1,498)
	258,397	292,189
USE OF FUNDS:		
Additions to property, plant and equipment	**114,805**	119,265
Payment of cash dividends	**28,019**	36,238
Reduction of long-term debt	**65,077**	38,368
Liquidation of sale of future production	**—**	828
Investments and advances	**896**	2,218
Additions to notes receivable	**10,573**	1,507
Additions to other assets	**8,466**	2,277
Capital project expenditures, net	**—**	24,314
Liquidation of capital project construction financing, net	**28,631**	—
Advances to (from) Occidental Petroleum Corporation, net	**(1,461)**	28,377
	255,006	253,392
INCREASE IN WORKING CAPITAL	**$ 3,391**	$ 38,797
CHANGES IN WORKING CAPITAL BY COMPONENT— increase (decrease):		
Current assets —		
Cash	**$ 8,360**	$ 5,479
Receivables and prepaid expenses and other	**(6,329)**	46,855
Inventories	**(56,166)**	95,992
	(54,135)	148,326
Current liabilities —		
Notes payable and current maturities of long-term debt	**(4,763)**	(6,887)
Accounts payable and accrued liabilities	**39,847**	(82,868)
Domestic and foreign income, franchise and other taxes	**22,442**	(19,774)
	57,526	(109,529)
INCREASE IN WORKING CAPITAL	**$ 3,391**	$ 38,797

Hooker Chemical Corporation/Statistical Highlights

For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
NET SALES:					
Chemicals and plastics	**$ 669,000**	$ 614,989	$ 430,054	$350,246	$307,400
Metal-finishing	**258,920**	354,885	285,504	203,008	158,834
Fertilizers, agricultural chemicals and sulphur	**606,251**	674,038	315,981	255,420	228,142
Canadian Occidental Petroleum Ltd.	**50,985**	44,658	33,035	26,591	23,549
Total	**$1,585,156**	$1,688,570	$1,064,574	$835,265	$717,925
NET INCOME:(1)					
Chemicals and plastics	**$ 48,994**	$ 40,061	$ 13,741	$ 8,565	$ 1,962
Metal-finishing	**(12,284)**	3,286	12,206	8,660	2,018
Fertilizers, agricultural chemicals and sulphur	**47,383**	55,328	13,115	3,946	(3,657)
Canadian Occidental Petroleum Ltd.	**8,641**	5,724	2,811	2,473	2,244
Total	(1) **$ 92,734**	(1) $ 104,399	$ 41,873	$ 23,644	$ 2,567
CAPITAL EXPENDITURES:					
Chemicals and plastics	(2) **$ 49,780**	$ 53,261	$ 30,498	$ 31,312	$ 35,067
Metal-finishing	**3,442**	3,674	2,534	2,840	4,264
Fertilizers, agricultural chemicals and sulphur	(2) **52,664**	41,132	13,441	8,220	8,119
Canadian Occidental Petroleum Ltd.	**8,919**	21,198	31,819	10,352	3,875
Total	**$ 114,805**	$ 119,265	$ 78,292	$ 52,724	$ 51,325
RESEARCH AND DEVELOPMENT EXPENSES:					
Chemicals and plastics	**$ 9,818**	$ 7,597	$ 9,446	$ 7,729	$ 9,969
Metal-finishing	**4,453**	4,950	4,163	3,915	3,610
Fertilizers, agricultural chemicals and sulphur	**1,178**	254	275	219	825
Canadian Occidental Petroleum Ltd.	**—**	—	120	132	142
Total	**$ 15,449**	$ 12,801	$ 14,004	$ 11,995	$ 14,546
NET PROPERTY, PLANT AND EQUIPMENT:					
Chemicals and plastics	**$ 289,458**	$ 263,738	$ 237,273	$229,854	$ 219,196
Metal-finishing	**27,803**	27,736	26,479	27,499	27,591
Fertilizers, agricultural chemicals and sulphur	**174,343**	132,836	102,440	99,588	103,445
Canadian Occidental Petroleum Ltd.	**100,053**	96,953	82,437	55,428	49,743
Total	**$ 591,657**	$ 521,263	$ 448,629	$412,369	$ 399,975
NUMBER OF EMPLOYEES:					
Chemicals and plastics	**11,525**	11,714	11,943	11,096	10,653
Metal-finishing	**3,073**	3,856	3,986	3,821	3,882
Fertilizers, agricultural chemicals and sulphur	**3,596**	2,992	2,512	2,362	2,422
Canadian Occidental Petroleum Ltd.	**467**	439	418	401	376

(1) Net income is divisional net income before unallocated corporate activities and domestic income taxes of $5,480 in 1975 and $919 in 1974. Domestic income taxes are accrued by the major activities as if they filed separate tax returns. The offset is netted against unallocated corporate activities and domestic income taxes.

(2) Excludes lease and project financings of approximately $4 million for chemicals and plastics and approximately $80 million for fertilizers, agricultural chemicals and sulphur operations in 1975.

Hooker Chemicals & Plastics Corp./Statistical Highlights
For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
PRODUCTION VOLUMES:					
Tons produced —					
Chlorine	**711,569**	615,459	579,760	583,149	574,742
Caustic soda	**740,035**	580,219	598,664	592,276	559,432
Sodium chlorate	**84,992**	98,429	91,516	86,721	64,602
Phosphorus	**34,474**	44,204	45,298	42,920	50,616
STPP	**91,302**	110,010	119,319	138,407	131,271
Fine chemicals	**46,069**	41,802	27,018	24,253	20,789
Plastic additives	**37,838**	48,704	37,127	27,671	24,363
Plastic pipe	**7,327**	5,023	4,981	2,300	1,859
Industrial chemicals	**314,150**	363,810	375,570	337,808	311,452
Pounds produced (in thousands) —					
Molding materials	**98,179**	147,583	152,657	141,946	115,740
Industrial and foundry resins	**66,181**	90,247	100,354	86,564	80,147
Urethanes	**16,862**	24,704	19,119	28,789	25,830
Chemicals (specialty)	**9,147**	7,975	7,529	11,412	11,664
Phenol	**15,277**	18,330	13,162	12,120	10,638
PVC resins and compounds	**176,929**	210,654	214,592	172,890	89,950
Film and sheeting	**60,605**	71,180	56,411	51,574	41,927
Polyesters	**27,421**	22,842	31,706	21,907	20,904
Yards manufactured (in thousands) —					
Coated fabrics	**13,330**	13,222	29,690	19,823	16,985
Decorative laminates	**2,699**	6,965	2,316	1,788	1,369
SALES BY DIVISION:					
Electrochemical and Specialty Chemicals	**$311,179**	$256,068	$183,406	$162,470	$151,236
Durez	**74,274**	95,444	65,887	56,742	49,303
Ruco	**63,960**	78,753	52,717	33,307	20,997
International	**219,587**	184,724	128,044	97,727	85,864
Total	**$669,000**	$614,989	$430,054	$350,246	$307,400
CAPITAL EXPENDITURES:[1]					
Pollution control	**$ 5,927**	$ 2,207	$ 1,402	$ 775	$ 701
Maintenance of operations	**24,245**	21,034	18,106	15,520	8,258
Profit improvement	**19,608**	30,020	10,990	15,017	26,108
Total	**$ 49,780**	$ 53,261	$ 30,498	$ 31,312	$ 35,067
RESEARCH AND DEVELOPMENT EXPENSES	**$ 9,818**	$ 7,597	$ 9,446	$ 7,729	$ 9,969
NET PROPERTY, PLANT AND EQUIPMENT:					
United States and Canada	**$242,771**	$223,050	$200,883	$193,073	$187,772
Europe	**4,892**	5,127	5,306	5,555	5,328
Far East	**95**	28	28	28	—
Latin America	**41,700**	35,533	31,056	31,198	26,096
Total	**$289,458**	$263,738	$237,273	$229,854	$219,196
NUMBER OF EMPLOYEES:					
United States and Canada	**6,254**	6,021	6,168	5,947	5,899
International	**5,271**	5,693	5,775	5,149	4,754

[1] See note [2] on page 46.

Oxy Metal Industries Corporation/Statistical Highlights

For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
SALES BY MAJOR PRODUCT GROUP:					
United States —					
Base metals, chemicals and compounds	**$ 37,260**	$ 61,069	$ 59,790	$ 57,805	$ 44,420
Precious metals, chemicals and compounds	**61,685**	113,023	83,445	44,175	28,647
Equipment	**19,348**	25,389	22,075	17,025	20,805
Conversion coatings	**22,289**	21,580	17,660	14,930	13,872
International —					
Base metals, chemicals and compounds	**40,474**	48,862	41,720	29,210	21,850
Precious metals, chemicals and compounds	**34,261**	47,289	29,730	18,560	13,544
Equipment	**40,729**	35,405	29,260	19,923	14,493
Conversion coatings	**2,874**	2,268	1,824	1,380	1,203
Total	**$258,920**	$354,885	$285,504	$203,008	$158,834
DOMESTIC SALES BY INDUSTRY:					
Electronics	**$ 56,647**	$106,395	$ 68,040	$ 39,045	$ 25,514
Automotive	**14,757**	23,184	25,028	23,020	21,506
Decorative	**11,120**	14,093	8,475	4,470	3,502
Appliance	**10,993**	9,967	7,963	7,003	6,001
Recreation	**3,658**	7,090	6,981	6,025	4,504
Plumbing and hardware	**4,146**	7,501	6,010	5,460	4,504
Other	**39,261**	52,831	60,473	48,912	42,213
Total	**$140,582**	$221,061	$182,970	$133,935	$107,744
CAPITAL EXPENDITURES:					
United States —					
Pollution control	**$ 142**	$ 200	$ 340	$ 231	$ 131
Maintenance of operations	**1,579**	1,740	1,265	1,369	2,703
International —					
Pollution control	**98**	169	80	—	—
Maintenance of operations	**1,623**	1,565	849	1,240	1,430
Total	**$ 3,442**	$ 3,674	$ 2,534	$ 2,840	$ 4,264
RESEARCH AND DEVELOPMENT EXPENSES	**$ 4,453**	$ 4,950	$4,163	$ 3,915	$ 3,610
NET PROPERTY, PLANT AND EQUIPMENT:					
United States	**$ 19,495**	$ 19,733	$ 19,284	$ 19,265	$ 19,527
International	**8,308**	8,003	7,195	8,234	8,064
Total	**$ 27,803**	$ 27,736	$ 26,479	$ 27,499	$ 27,591
NUMBER OF EMPLOYEES:					
United States	**1,329**	1,641	1,868	1,727	1,671
International	**1,744**	2,215	2,118	2,094	2,211

Occidental Chemical Company/Statistical Highlights
For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
		(dollar amounts in thousands)			
PRODUCTION VOLUME:					
(thousands of tons)—					
Phosphate and mixed fertilizer materials	**3,969**	4,008	3,780	3,888	3,461
Animal feed products	**149**	237	260	288	247
Sulphur and sulphur products	**664**	779	614	529	613
Total	**4,782**	5,024	4,654	4,705	4,321
SALES:					
Phosphate and mixed fertilizer materials	**$511,028**	$587,411	$238,912	$181,949	$160,944
Agricultural chemicals	**43,910**	41,974	44,396	43,057	36,221
Animal feed products	**17,468**	18,000	17,052	17,836	15,839
Sulphur and sulphur products	**32,583**	25,565	14,632	11,660	14,123
Other	**1,262**	1,088	989	918	1,015
Total	**$606,251**	$674,038	$315,981	$255,420	$228,142
CAPITAL EXPENDITURES:(1)					
Pollution control	**$ 144**	$ 100	$ 706	$ 467	$ 2,983
Maintenance of operations	**11,654**	11,142	3,748	5,578	4,516
Profit improvement	**40,866**	29,890	8,987	2,175	620
Total	**$ 52,664**	$ 41,132	$ 13,441	$ 8,220	$ 8,119
RESEARCH AND DEVELOPMENT EXPENSES	**$ 1,178**	$ 254	$ 275	$ 219	$ 825
NET PROPERTY, PLANT AND EQUIPMENT	**$174,343**	$132,836	$102,440	$ 99,588	$103,445
NUMBER OF EMPLOYEES:					
United States	**3,382**	2,771	2,290	2,166	2,202
International	**214**	221	222	196	220
RESERVES at December 31:					
Phosphate rock (thousands of tons)	**98,069**	102,467	106,485	108,968	111,712
Sulphur (thousands of long tons)	**1,238**	1,571	1,896	2,216	2,523

(1) See note (2) on page 46.

Canadian Occidental Petroleum Ltd./Statistical Highlights

For the five years ended December 31, 1975

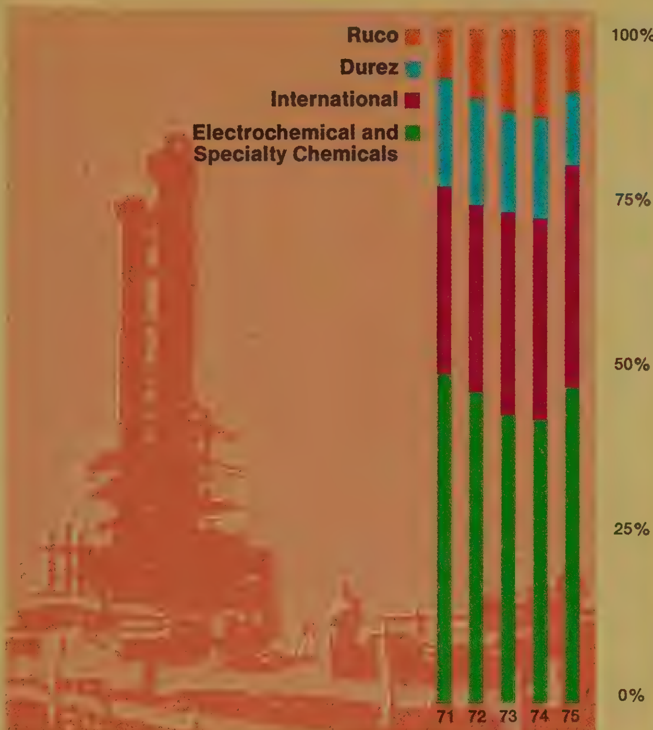
	1975	1974	1973	1972	1971
			(dollar amounts in thousands)		
PRODUCTION VOLUMES:					
Crude oil—bls.	**370,854**	331,299	337,259	364,632	211,892
Pipeline gas—MMCF	**18,031**	18,099	19,043	18,966	19,189
Condensate—bls.	**219,630**	225,095	247,311	255,097	265,818
Sulphur—L.T.	**202,844**	219,127	241,116	237,392	257,220
Propane—bls.	**143,405**	127,619	134,350	123,325	122,939
Butane—bls.	**108,624**	105,688	112,784	97,797	92,179
Chlorine—tons	**126,865**	171,194	166,070	141,322	139,820
Caustic soda—tons	**147,156**	195,107	188,673	158,881	160,265
Molding materials—Mlbs.	**2,824**	5,640	7,342	7,618	5,850
Industrial and foundry resins—Mlbs.	**4,077**	5,124	5,862	3,924	1,455
2,000 line—Mlbs.	**1,711**	1,747	1,630	1,362	3,105
Paint base, regular—Mlbs.	**1,947**	2,336	2,370	2,358	2,087
Other chemicals—Mlbs.	**3,202**	3,834	3,791	3,140	1,158
SALES:					
Oil and gas	**$ 18,778**	$10,890	$ 6,954	$ 6,100	$ 5,480
Industrial chemicals	**22,641**	22,697	19,188	15,463	13,569
Plastics and resins	**4,237**	5,505	3,038	2,331	2,229
Metal-finishing	**5,329**	5,566	3,855	2,697	2,271
Total	**$ 50,985**	$44,658	$33,035	$26,591	$23,549
CAPITAL EXPENDITURES:					
Pollution control	**$ 68**	$ 330	$ 11	$ 3	$ —
Oil and gas development	**1,429**	446	375	152	371
Exploration	**4,436**	12,704	30,733	7,193	1,713
Profit improvement	**2,986**	7,718	700	3,004	1,791
Total	**$ 8,919**	$21,198	$31,819	$10,352	$ 3,875
RESEARCH AND DEVELOPMENT EXPENSES	**$ —**	$ —	$ 120	$ 132	$ 142
NET PROPERTY, PLANT AND EQUIPMENT:					
Oil and gas	**$ 77,488**	$72,481	$65,658	$37,828	$33,580
Industrial chemicals	**18,282**	20,257	12,479	13,472	12,153
Plastics and resins	**2,430**	2,718	2,898	3,057	3,265
Metal-finishing	**461**	467	459	462	432
Mineral exploration	**1,392**	1,030	943	609	313
Total	**$100,053**	$96,953	$82,437	$55,428	$49,743
NUMBER OF EMPLOYEES:					
Oil and gas	**212**	204	182	172	175
Industrial chemicals	**178**	166	163	162	147
Plastics and resins	**45**	36	43	40	33
Metal-finishing	**25**	26	24	22	21
Mineral exploration	**7**	7	6	5	—

Hooker Chemical Division/Statistical Highlights

For the five years ended December 31, 1975

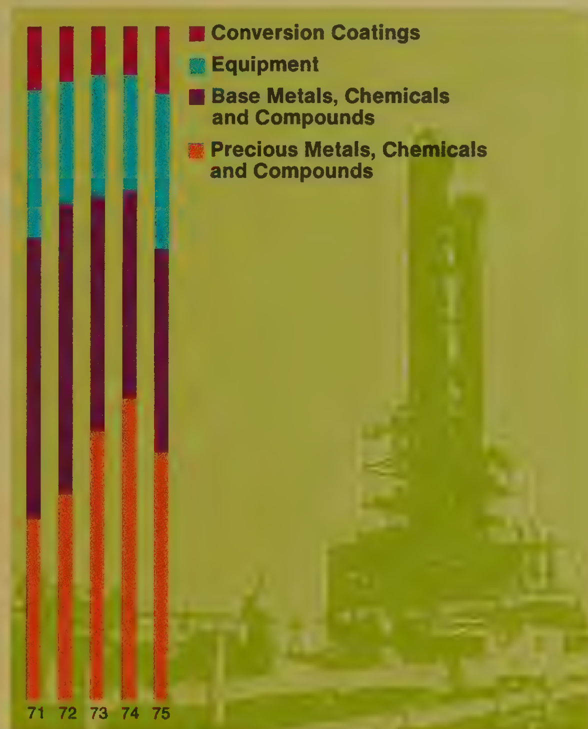
Hooker Chemicals & Plastics Corp.

Sales Revenues by Divisions



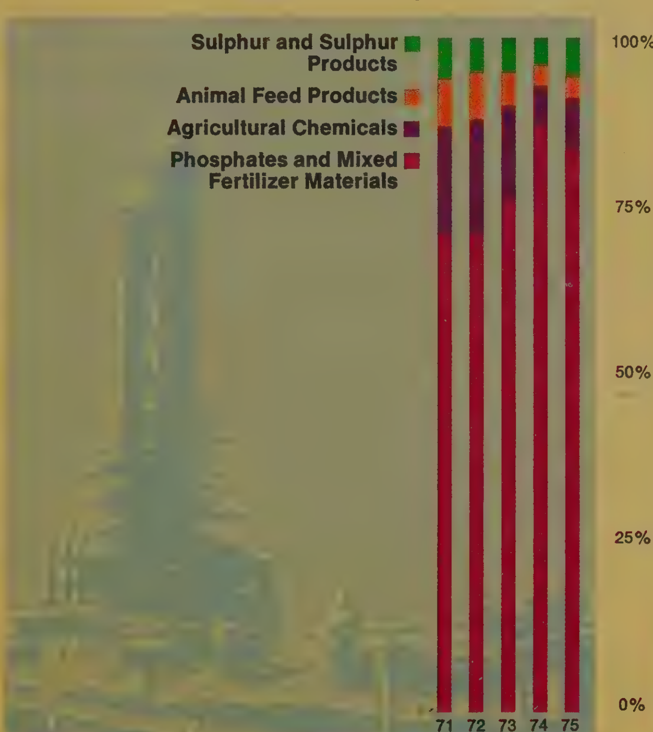
Oxy Metal Industries Corporation

Sales Revenues by Product Areas



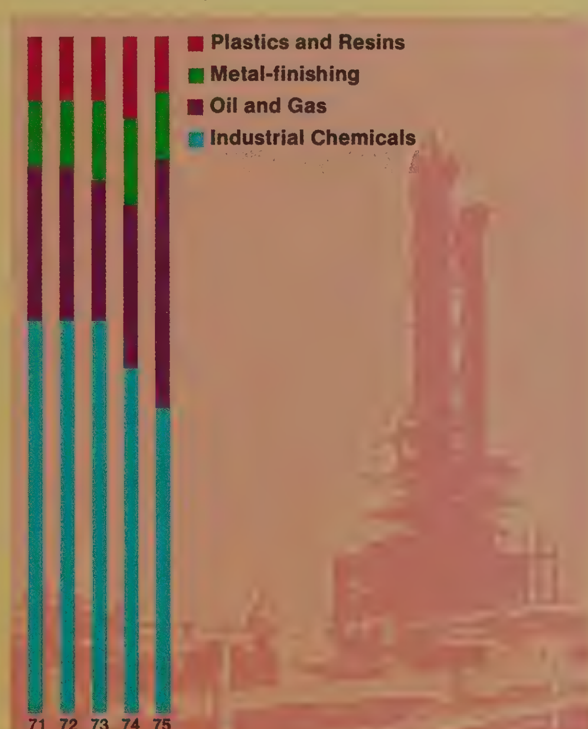
Occidental Chemical Company

Sales Revenues by Product Areas



Canadian Occidental Petroleum Ltd.

Sales Revenues by Product Areas




FLAMMABLE
MACK

Permian trucks load 25-degree gravity shale oil from Occidental's in-situ retort in Colorado for delivery to refining market.

Real Estate and Hotels

Occidental continues the previously announced program toward orderly liquidation of real estate investments. During 1975, Occidental Land, Inc., sold approximately $17 million of its real estate investment at about book value. As of December 31, 1975, Occidental's investments in real estate were $127 million including $98 million in real property and $25 million in receivables from previous real estate sales.

The real estate management agreement with Shapell Industries was canceled as of December 15, 1975, and Occidental will continue the real estate liquidation program through its own efforts.

We are also taking steps to dispose of our hotel interests in Monaco, Switzerland and Morocco.

In Lagos, Nigeria, a 130-room motel section of the hotel project opened for business in December, 1975. Construction of the 500-room main hotel is on schedule, and opening is now expected in October, 1976. The total project is expected to cost approximately $36 million with $3 million paid in jointly by Occidental and the Lagos state government, and with the remaining $33 million to be obtained from a group of Nigerian banks.

Research and Development

Occidental invested $25.2 million in research and development during 1975 which was equally divided between providing technical support to current operations and pioneering developments which will help shape the future of Occidental. Research and development activities are carried out in each of the divisions as well as by the corporate group, Occidental Research Corporation (ORC), located at La Verne, California.

Corporate research concentrated on the conversion of coal to low-sulphur fuel oils through our Flash Pyrolysis process, and on processes to increase phosphate recovery from low- and high-grade ores.

Many new processes which began as research projects are now being tested on a commercial scale. An example is our oil shale extraction process for which our research group continued to provide technical support.

New Process Successful

The new solvent extraction process for purifying phosphoric acid is successful, and a new phosphoric acid plant utilizing the ORC hemi-hydrate process is in the startup phase. These processes will be fully tested in commercial operation by the time process design work is begun for the further expansion of the phosphate facility including that required for the production of SPA for the Soviet Union.

Above, model of solid waste recovery plant being built in El Cajon, California, for County of San Diego which will use Occidental's pyrolysis process to produce fuel oil. Below, liquid ion exchange process to purify phosphoric acid undergoing test in bench-scale pilot plant at Occidental Research Corporation in La Verne, California.

Progress was made in our high-energy density battery joint venture. Small demonstration units have met the stringent performance requirements of the utility industry for off-peak electrical energy storage. As a result, the Electric Power Research Institute will fund a multi-megawatt prototype based on our proprietary zinc/chloride battery.

Organizational Changes

Several important changes occurred in Occidental's executive staff in 1975.

Donald L. Baeder became executive vice president for research and development. He was formerly head of corporate and government research for a major international oil company. George M. Cayce, formerly controller of a large diversified aerospace company, became Occidental's vice president and controller.


MOTHERWELL BRIDGE

When completed, Flotta Island terminal in the Orkneys will service the Occidental group's North Sea oil production. Here, workers finish fabrication of one of the terminal's new 500,000-barrel storage tanks.

Ronald B. Casriel, previously controller of Occidental, was elected vice president and treasurer. In addition, Angelo Leparulo was promoted to executive vice president with overall coordinating responsibilities for Occidental's U.S.S.R. projects. Benedict M. Lissim, Occidental's Moscow representative, was elected a vice president.

Employee Compensation and Benefits

Occidental and its subsidiaries employ approximately 33,000 people. In 1975, wages and salaries amounted to $440 million, a 15 per cent increase over the $383 million paid in 1974. Company contributions to employee benefit plans, including life and health insurance, retirement plans and the Thrift Plan, amounted to an additional $66.3 million in 1975.

Through the operation of the company's Thrift Plan, Occidental employees own 992,000 shares of Occidental stock.

Financial Review

Total assets of Occidental amounted to approximately $3.5 billion at year end as compared with $3.3 billion at the end of 1974. Shareholders' equity grew to $1.2 billion from the $1.04 billion at December 31, 1974. Net property, plant and equipment at the end of the year totaled $1.9 billion, a $287 million increase over the $1.6 billion at the end of 1974.

Working capital provided from operations in 1975 amounted to $419 million as compared with $436 million in 1974, and capital expenditures were $496 million compared to $424 million in 1974.

The following is a summary of capital expenditures categorized by Occidental's major operating divisions:

	1975	1974
	(amounts in millions)	
Oil and Gas Division		
International production and exploration	$206	$173
International marketing, refining and transportation	45	52
North America	64	42
	315	267
Hooker Chemical Division	115	119
Island Creek Coal Division	70	31
Other	(4)	7
	$496	$424

In addition, $84 million was expended for chemical facilities and $3 million for coal facilities where the funds were obtained by means of lease financing.

Occidental has substantially completed its program to shift medium-term bank financing from the parent company to the three major subsidiaries. In August, 1975, the company repaid the outstanding balances and canceled the $275 million revolving bank credit which had previously been available to the parent company. Subsequently, revolving credits of $100 million for Island Creek Coal and $100 million for Hooker Chemical have been arranged, both without guarantees of Occidental. Approximately $70 million of revolving credits, with a parent company guaranty, have also been arranged for the Oil and Gas Division.

New Financings Arranged

During 1975, Occidental arranged new financings totaling in excess of $700 million. This included two successful public issues, a $75 million issue of new Occidental preferred stock with warrants attached and a $75 million issue of seven-year notes. In addition, the operating divisions accomplished several major financings.

Hooker Chemical Corporation privately sold $30 million of its preferred stock and completed arrangements for a project financing of $54 million for expansion of phosphate rock mining in Florida. Island Creek Coal Company completed a $60 million advance sale of coal. In the Oil and Gas Division, a $30 million Eurobond issue and a $19 million Swiss Franc issue were sold. Also, an advance gas payment of up to $62.5 million was arranged for gas exploration and development in the offshore Gulf Coast.

In early 1976, the Oil and Gas Division completed a $175 million Eurodollar financing for development of the Claymore field in the North Sea.

Net Working Capital Increases

Net working capital at year end amounted to $545 million as compared with $464 million at year-end 1974. In addition, the company has $395 million of committed but unused bank credit facilities compared to $120 million at year-end 1974. Cash and credit facilities totaled $768 million on December 31, 1975, versus $402 million in 1974.

In 1975, Occidental reduced its senior funded debt to $728 million, a $187 million reduction from the $915 million of such debt at the end of 1974. The company improved the ratio of equity-to-senior funded debt to 1.65-to-1 compared to a ratio of 1.13-to-1 at the end of 1974. We intend to achieve and maintain at least a 2-to-1 ratio.

Dividend Payments

1975 cash dividends on our common shares were paid quarterly and amounted to $55.7 million for the year, or one dollar per share. Preferred dividends totaled $23.6 million in 1975 as compared to $19.3 million in 1974.

Board of Directors

Dr. Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

Robert J. Caverly
Executive Vice President for Operations

A. P. Gates
Executive Vice President
President and Chief Executive Officer,
Hooker Chemical Corporation

Albert Gore
Executive Vice President
Chairman of the Board, Island Creek Coal Company

Arthur Groman
Senior Partner in the Law Firm of
Mitchell, Silberberg & Knupp, Los Angeles

Paul C. Hebner
Vice President and Secretary

Neil H. Jacoby
Professor, formerly Dean, Graduate School of Management
University of California at Los Angeles

Morrie A. Moss
Chairman, Morrie A. Moss Investments, Memphis

Herman L. Vail
Senior Partner in the Law Firm of
Vail, Steele, Howland & Dempsey, Cleveland

W. Marvin Watson
Executive Vice President for Corporate Affairs

Occidental Petroleum Corporation Board of Directors, left to right: A. P. Gates, Robert J. Caverly*, Neil H. Jacoby*, Arthur Groman*, Albert Gore, Dr. Armand Hammer*, Joseph E. Baird*, Morrie A. Moss, Herman L. Vail, W. Marvin Watson*, Paul C. Hebner*.

**Member of the Executive Committee*

Audit Committee, left to right: Herman L. Vail, Morrie A. Moss, Arthur Groman and Neil H. Jacoby, chairman.

Officers

Dr. Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

Robert J. Caverly
Executive Vice President for Operations

W. Marvin Watson
Executive Vice President for Corporate Affairs

Albert Gore
Executive Vice President
Chairman, Island Creek Coal Division

A. P. Gates
Executive Vice President
President and Chief Executive Officer,
Hooker Chemical Corporation

Robert A. Teitsworth
Executive Vice President
Chairman and Chief Executive Officer,
Occidental Oil and Gas Corporation

Thomas D. Jenkins
Executive Vice President
President and Chief Operating Officer,
Occidental Oil and Gas Corporation

Stonie Barker, Jr.
Executive Vice President
President and Chief Executive Officer,
Island Creek Coal Division

John J. Dorgan
Executive Vice President—Finance

Donald L. Baeder
Executive Vice President for Research and Development

Angelo Leparulo
Executive Vice President
President, Occidental International Engineering Company

Paul C. Hebner
Vice President and Secretary

Ronald B. Casriel
Vice President and Treasurer

George M. Cayce
Vice President and Controller

Charles C. Horace
Vice President, Manager of Oil and
Gas Drilling and Production

Ronald P. Klein
Vice President and General Counsel

Benedict Lissim
Vice President and Moscow Representative

Richard H. Vaughan
Vice President, Worldwide Exploration

Kenneth G. Wolfe
Vice President—Engineering and Construction

Executive Staff

Paul A. Bailly
President, Occidental Minerals Corporation

Carl W. Blumay
Director of Public Relations

John S. Coey
President, Hooker Chemicals & Plastics Corp.

Norman Foster
President, Oxy Metal Industries Corporation

William L. Garman
President, Occidental Chemical Company

William F. McSweeny
Senior Executive Vice President,
Occidental International Corporation

David B. Orser
President, Occidental International Oil, Inc.

Rear Admiral Tazewell T. Shepard, Jr., USN (Ret.)
Executive Vice President,
Occidental International Corporation

Consolidated Financial Statements

Occidental Petroleum Corporation and Consolidated Subsidiaries

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
REVENUES:		
Net sales	$5,345,938	$5,537,505
Interest and other income	53,224	40,684
	5,399,162	5,578,189
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	4,353,699	4,368,653
Selling, general and administrative and other operating expenses	351,198	286,504
Provision for domestic and foreign income, franchise and other taxes (Note 11)	441,375	512,721
Interest and debt expense	92,292	110,612
Less interest capitalized (Note 1)	(19,138)	(9,656)
Minority interests in net income of subsidiaries	5,128	2,273
	5,224,554	5,271,107
Income from continuing operations before gains from emergency fleet position	174,608	307,082
GAINS FROM EMERGENCY FLEET POSITION (Note 9)	—	12,124
Income from continuing operations	174,608	319,206
LOSS FROM DISCONTINUED OPERATIONS (Note 3)	(2,652)	(41,981)
NET INCOME	$ 171,956	$ 277,225
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (Note 15):		
Continuing operations	$2.69	$5.44
Discontinued operations	(.05)	(.76)
Net income	$2.64	$4.68
FULLY DILUTED EARNINGS PER SHARE (Note 15):		
Continuing operations	$2.24	$4.28
Discontinued operations	(.04)	(.55)
Net income	$2.20	$3.73

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
December 31, 1975 and 1974

Assets (amounts in thousands)	1975	1974
CURRENT ASSETS:		
Cash, including interest-bearing commercial paper of $299,347 in 1975 and $127,357 in 1974 (Note 8)	$ 373,021	$ 265,585
Receivables—		
Trade, net of reserve for doubtful accounts of $10,359 in 1975 and $7,892 in 1974	595,318	745,567
Other	25,214	10,688
Inventories (Note 4)	312,854	322,476
Prepaid expenses and other	21,591	26,368
Total current assets	1,327,998	1,370,684
LONG-TERM RECEIVABLES, net of reserve of $4,800 in 1975 and $8,195 in 1974	22,800	17,479
INVESTMENT IN OCCIDENTAL LAND, INC. (Note 3)	115,233	120,917
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES (Note 1):		
Investments	20,035	15,674
Advances	9,772	10,043
	29,807	25,717
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $1,064,942 in 1975 and $989,501 in 1974 (Notes 5 and 8)	1,928,032	1,640,931
OTHER ASSETS:		
Deferred financing costs, less amortization	12,754	8,077
Excess of cost of investments in consolidated subsidiaries over net assets at acquisition date, less amortization (Note 1)	23,640	27,003
Capital project expenditures (Note 6)	6,116	50,014
Other	36,992	31,837
	79,502	116,931
	$3,503,372	$3,292,659

The accompanying notes are an integral part of these balance sheets.

Liabilities (amounts in thousands)	1975	1974
CURRENT LIABILITIES:		
Current maturities of senior funded debt	$ 87,468	$ 96,892
Notes payable to banks (Note 7)	35,746	40,866
Accounts payable	460,631	520,590
Dividends payable	14,412	13,778
Domestic and foreign income, franchise and other taxes (Note 11)	34,560	91,834
Accrued liabilities—		
Commissions and payrolls	71,726	55,078
Interest	17,921	17,686
Other	60,902	70,297
Total current liabilities	783,366	907,021
SENIOR FUNDED DEBT, net of current maturities (Note 8)	728,325	915,309
CONVERTIBLE SUBORDINATED DEBENTURES (Notes 8 and 12)	124,998	125,000
NOTES AND AMOUNTS DUE TO LIBYAN GOVERNMENT AND ITS AGENCIES (Note 5)	272,000	—
DEFERRED CREDITS:		
Revenue on sale of future production	122,567	69,229
Deferred domestic and foreign income taxes (Notes 2 and 11)	118,756	100,502
Contract advances (Note 6)	25,305	61,852
Other	57,224	39,614
	323,852	271,197
CONTINGENT LIABILITIES, MARINE COMMITMENTS AND OTHER COMMITMENTS (Notes 9 and 10)		
MINORITY EQUITY IN SUBSIDIARIES:		
Preferred stock	18,705	18,105
Common stock	5,570	4,963
Additional paid-in capital and retained earnings	45,950	14,512
	70,225	37,580
SHAREHOLDERS' EQUITY (Notes 1, 2, 8 and 12):		
Preferred stocks, $1.00 par value; authorized 15 million:		
Convertible preferred stocks (aggregate preference on involuntary liquidation: $443,600 in 1975 and $477,500 in 1974)	4,724	5,062
Nonconvertible preferred stocks subject to mandatory redemption through sinking fund requirements (aggregate preference on involuntary liquidation and mandatory redemption value: $92,500 in 1975 and $17,500 in 1974)	3,175	175
Common shares, $.20 par value; authorized 100 million	11,364	11,136
Additional paid-in capital (including $72,222 in 1975 and $17,325 in 1974 allocable to nonconvertible preferred stocks)	570,215	500,786
Retained earnings	611,128	519,393
	1,200,606	1,036,552
	$3,503,372	$3,292,659

The accompanying notes are an integral part of these balance sheets.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 1975 and 1974

	Preferred Stocks (Note 12)	Common Shares (Note 12)	Additional Paid-In Capital	Retained Earnings
		(amounts in thousands)		
BALANCE, DECEMBER 31, 1973,				
as previously reported	$5,237	$11,134	$500,662	$329,709
Deduct adjustment for the cumulative effect on prior years of the change in the method of accounting for:				
Translation of foreign currency transactions and financial statements (Note 2)	—	—	—	(29,360)
Deferred income tax pertaining to intangible drilling and development costs (Note 2) . . .	—	—	—	(25,080)
BALANCE, DECEMBER 31, 1973, as restated	5,237	11,134	500,662	275,269
Net income	—	—	—	277,225
Cash dividends on common shares	—	—	—	(13,778)
Cash dividends on preferred stocks	—	—	—	(19,323)
Exercise of stock options	—	2	124	—
BALANCE, DECEMBER 31, 1974	5,237	11,136	500,786	519,393
Net income	—	—	—	171,956
Cash dividends on common shares	—	—	—	(55,741)
Cash dividends on preferred stocks	—	—	—	(23,639)
Issuance of $2.50 preferred stock with warrants, net of expenses	3,000	—	67,292	—
Amortization of discount on nonconvertible preferred stock (Note 12)	—	—	841	(841)
Conversions, exercises of options and other .	(338)	228	1,296	—
BALANCE, DECEMBER 31, 1975 (Notes 8 and 12)	$7,899	$11,364	$570,215	$611,128

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Financial Position
For the years ended December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 171,956	$277,225
Add (deduct)—Items not using or (providing) working capital—		
Depreciation, depletion and amortization	151,156	119,232
Write-off of Venezuelan and Nigerian operations (Note 5)	60,878	—
Utilization of reserve for loss on emergency fleet position (Note 9)	—	(16,090)
(Earnings) losses of unconsolidated subsidiaries	(4,408)	6,391
Minority interests	5,128	2,273
Deferred tax provision	9,742	18,971
Provision for coal workers' compensation claims, net	20,104	18,097
Other, net	4,064	9,538
Working capital provided from operations	418,620	435,637
Proceeds from—		
Notes and amounts due to Libyan government and its agencies (Note 5)	272,000	—
Long-term borrowings	247,751	204,245
Sale of future production	60,000	56,154
Prepaid revenues	(6,280)	9,100
Disposal of assets	6,012	6,885
Collection of notes receivable	8,277	6,085
Stock options and warrants exercised	586	126
Sale of retail marketing facilities, net	—	10,284
Issuance of stock to minority shareholders of consolidated subsidiaries	31,249	18,105
Reclassification of Libyan taxes	—	21,796
Capital project construction financing	—	28,631
Reimbursement for capital project expenditures, net	43,898	—
Issuance of preferred stock and warrants	70,292	—
	1,152,405	797,048
USE OF FUNDS:		
Additions to property, plant and equipment	495,720	423,970
Payment of cash dividends	79,380	33,101
Reduction of senior funded debt	434,735	109,291
Liquidation of sale of future production	6,662	28,650
Investments and advances	(6,943)	7,052
Additions to notes receivable	15,280	5,920
Additions to other assets	19,650	6,663
Capital project expenditures, net	—	24,314
Liquidation of capital project construction financing, net	28,631	—
Other, net	(1,679)	7,565
	1,071,436	646,526
INCREASE IN WORKING CAPITAL	$ 80,969	$150,522
CHANGES IN WORKING CAPITAL BY COMPONENT— increase (decrease):		
Current assets—		
Cash	$ 107,436	$ (42,056)
Receivables and prepaid expenses and other	(140,500)	177,000
Inventories	(9,622)	64,371
	(42,686)	199,315
Current liabilities—		
Notes payable and current maturities of senior funded debt	14,544	42,685
Accounts payable, dividends payable and accrued liabilities	51,837	(100,591)
Domestic and foreign income, franchise and other taxes	57,274	9,113
	123,655	(48,793)
INCREASE IN WORKING CAPITAL	$ 80,969	$150,522

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries/Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Occidental Petroleum Corporation and its significant subsidiaries. All material intercompany accounts and transactions have been eliminated, and there were no significant intercompany profits or losses on transactions with affiliates not consolidated.

Investments in unconsolidated subsidiaries are carried at an amount equivalent to the equity in their net assets. The equity in net income or loss of unconsolidated subsidiaries is not significant and is included in "Interest and other income" in the consolidated statements of operations.

Certain captions in the 1974 consolidated financial statements have been restated to reflect the accounting changes described in Note 2.

Included in the consolidated financial statements are the following items pertaining to operations based outside the United States and Canada (amounts in thousands):

	1975	1974
Assets	$1,300,000	$1,317,000
Liabilities	764,000	668,000
Revenues*	2,261,000	2,710,000
Income*	10,000	181,000

*The revenue and income figures include export operations of domestically-based companies. The income amounts represent income from continuing operations (before interest income and expense, taxes on income except for Libyan taxes, gain on emergency fleet, discontinued operations, and unallocated corporate costs).

Translation of foreign currencies

As described in Note 2, Occidental adopted a change in accounting policy for translation of foreign currencies in 1975. Under the new policy, all assets and liabilities arising from foreign currency transactions are translated and recorded in dollars at the rate of exchange in effect at the transaction date. Revenues and expenses are translated at an average rate for the year except that such accounts relating to specific assets (e.g. depreciation) are translated at the rate used to translate the related assets or liabilities.

Recorded dollar balances representing cash and amounts owed by or to Occidental that are denominated in foreign currency are adjusted to reflect the rate of exchange in effect at the balance sheet date. Foreign currency financial statements of subsidiaries are translated and accounted for in the same manner as assets, liabilities, revenues and expenses that result from foreign currency transactions. All gains and losses resulting from the translation of foreign currency transactions and financial statements are included in net income in the period of the rate change.

The net gain (loss) on the translation of foreign currencies included in the consolidated statements of operations is as follows (amounts in thousands):

1975	$ 1,338
1974	(20,766)

Inventories

Substantially all inventories, excluding materials and supplies, are stated at cost determined on the last-in, first-out method (LIFO) and did not exceed market. Materials and supplies are stated using the first-in, first-out (FIFO) and average methods. The cost elements of the various categories of inventories are as follows: (1) manufacturing inventories — material, labor and factory overhead; (2) crude oil and petroleum products — production, transportation and refining costs (where applicable), and (3) coal — inventory production costs.

Capitalization, depreciation, depletion and amortization of property, plant and equipment

Occidental capitalizes property additions, major renewals and betterments and major improvements at cost. Maintenance and repairs are charged to expense as incurred. Upon the retirement of property, its cost and related accumulated depreciation are removed from the property accounts and the resulting gain or loss is reflected in income, except that no gain or loss is recognized upon the sale or disposition of items included in the oil and gas full-cost pools. Depreciation of plant and equipment has been provided using the straight-line and declining balance methods based on estimated useful lives.

All costs of exploring for and developing oil and gas reserves in North America are capitalized under the full-cost method of accounting and charged to operations on a unit-of-production basis over the estimated life of future production.

Oil and gas operations outside North America are also accounted for under the full-cost method on a country-by-country basis. It is Occidental's policy to provide reserves against the future write-off of costs in areas in which expenditures are determined not to be recoverable.

Occidental capitalizes interest during plant construction and mine development since capitalization provides a more realistic matching of expense with the revenue generated by the asset. The amount of interest capitalized is computed by applying a rate equal to the average cost of funds borrowed during periods of construction or development. Capitalized interest is amortized over the depreciable life of the asset after it is placed in service. The effect on net income of capitalizing interest as compared to charging interest to expense as incurred is as follows (amounts in thousands):

	1975	1974
Interest capitalized	$ 19,138	$ 9,656
Amortization of capitalized interest	(1,988)	(1,845)
Tax provision	(8,232)	(3,749)
Increase in net income	$ 8,918	$ 4,062

Cost and amortization of other assets

Deferred financing costs are amortized on the basis of the terms of the related financing agreements. Amortization is included in the consolidated statements of operations under the caption "Interest and debt expense."

The unamortized balance of excess of cost of investments in consolidated subsidiaries over the net assets at acquisition date is $23,640,000 and $27,003,000 at December 31, 1975 and 1974, respectively. At December 31, 1975, $4,686,000 was not being amortized because these costs were incurred prior to the release of Accounting Principles Board Opinion No. 17 and, under this opinion, nonamortization of such costs was allowed. In the opinion of management, there has been no diminution in the value of the acquired businesses in which these costs were incurred. During 1975, amortization over a period of

seven years was commenced with respect to $14,131,000 of such costs, incurred prior to the release of Opinion No. 17, which, in management's opinion, represents the estimated period to be benefited. Substantially all of the remaining costs are being amortized over seven years, which represents the estimated period to be benefited.

Domestic and foreign income, franchise and other taxes

Occidental files consolidated U.S. federal income tax returns including its 80 per cent-or-more-owned domestic subsidiaries. Deferred income taxes are provided for timing differences resulting from differences in accounting followed for income tax purposes and that followed for financial accounting purposes. Deferred income taxes are not provided for differences considered to be of a more permanent nature under Accounting Principles Board Opinion No. 11 such as deferred DISC income, foreign drilling and development costs and unremitted foreign earnings. See Note 2 for change in accounting policy in 1975.

Investment tax credits are taken into consideration in calculating deferred income taxes. At December 31, 1975, Occidental had $43,800,000 of such investment tax credits available to reduce future income tax payments through 1982.

Research and development costs

During 1975 and 1974, research and development costs, which are charged to operations as incurred, amounted to approximately $25,231,000 and $18,597,000, respectively.

Retirement plans

Occidental and its subsidiaries have several noncontributory pension plans covering substantially all of their employees. Pension costs consist of normal costs plus amortization of past service costs (as determined in accordance with actuarial studies). It is Occidental's policy to fund pension costs accrued.

2. Accounting changes

Translation of foreign currency transactions and financial statements

In October, 1975, the Financial Accounting Standards Board issued a statement entitled "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements" which requires, in 1976, that Occidental's method of accounting for the translation of foreign currency transactions and financial statements be modified in certain respects. In accordance with this statement, Occidental has elected to adopt this new method in 1975 and, accordingly, the consolidated financial statements have been restated to reflect this change in accounting method. The effect of the change in accounting was to increase (decrease) net income (amounts in thousands) and the related per share amounts as follows:

	1975	1974
Net income	$9,107	$(3,452)
Earnings per common and common equivalent share	$ .16	$(.06)
Fully diluted earnings per share	$ .12	$(.04)

Retained earnings for years prior to 1974 have been reduced by $29,360,000 to reflect the change in accounting method on those prior years.

Deferred income taxes

In October, 1975, the Financial Accounting Standards Board issued a statement entitled "Accounting for Income Taxes — Oil and Gas Producing Companies." This statement requires the provision of deferred income taxes for timing differences relating to intangible drilling and development costs which were previously deemed permanent in anticipation of future tax deductions for statutory depletion. In accordance with this statement, Occidental has elected to restate prior-year consolidated financial statements. This change has an insignificant effect on net income and the related per share amounts for the two years ended December 31, 1975. Retained earnings for years prior to 1974 have been reduced by $25,080,000 to reflect the change in accounting method on those prior years.

3. Discontinued operations

During 1974, Occidental sold the major part of its European retail marketing operations to a French oil company. The sale involved 861 leased or owned service stations and related facilities in the United Kingdom, Holland, Belgium and West Germany. The consideration for this sale was equal to the net book value of approximately $29,000,000, including goodwill of $22,000,000, and represented primarily the assumption of indebtedness of the purchased companies. Occidental retained the inventories and receivables, less certain trade payables, associated with these operations. These assets were liquidated during 1975.

During 1975, Occidental continued a policy of disposing of its real estate properties which consist primarily of undeveloped land and a planned community development. Further investments may be required in the disposition of some of the properties; however, in the opinion of management, Occidental's current and future investments will be fully realizable. Occidental's wholly-owned real estate subsidiary, Occidental Land, Inc., is unconsolidated since the operations are not similar to those of Occidental and its consolidated subsidiaries.

These operations, which are shown as discontinued operations in the accompanying consolidated statements of operations, had the following amounts of revenue and costs (amounts in thousands):

	1975	1974
European retail marketing operations—		
Revenues	$ —	$383,333
Costs	—	413,722
	—	(30,389)
Real estate operations	(2,652)	(11,592)
Loss from discontinued operations	$ (2,652)	$(41,981)

4. Inventories

Inventories, expressed as percentages prior to the application of the LIFO reserve, are comprised of finished goods (56 per cent in 1975 and 54 per cent in 1974) and raw materials and work in process (44 per cent in 1975 and 46 per cent in 1974). The inventory amounts used in the determination of cost of sales are as follows (amounts in thousands):

1975	$225,542
1974	264,425
1973	226,233

Under current cost methods, inventories would have been $70,108,000 and $67,887,000 higher in 1975 and 1974, respectively.

During 1975, Occidental's wholly-owned subsidiary, Hooker Chemical Corporation, reduced certain inventory quantities which resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs prevailing in prior years as compared with current costs. The effect on 1975 was to reduce cost of sales by approximately $10,433,000 and, accordingly, increase net income by approximately $5,425,000 or $.10 per share. Additionally, there have been immaterial liquidations of applicable LIFO inventory quantities at other Occidental subsidiaries.

5. Property, plant and equipment

Property, plant and equipment is comprised of the following (amounts in thousands):

	1975	1974
Oil and gas operations—		
International production and exploration	$ 923,740	$ 827,373
International refining and transportation	252,033	184,296
North America	380,362	338,361
Chemical operations	905,873	816,961
Coal operations	530,966	463,441
	2,992,974	2,630,432
Less—accumulated depreciation, depletion and amortization	1,064,942	989,501
	$1,928,032	$1,640,931

On August 11, 1973, the government of Libya, by decree, nationalized 51 per cent of the assets of Occidental's wholly-owned subsidiary, Occidental of Libya, Inc. (Oxylibya). Occidental acquiesced to the nationalization by signing an agreement with the Libyan government which formed a joint venture that is owned 51 per cent by the Libyan National Oil Corporation and 49 per cent by Oxylibya.

As compensation for the assets acquired by the Libyan National Oil Corporation, Occidental received approximately $136,000,000 which was estimated to equal 51 per cent of the book value of the assets as determined for Libyan tax purposes. This amount is subject to adjustment after audit by the Libyan government. Occidental believes that it maintains an adequate reserve for any adjustment which may result from such audit. The $136,000,000, which was used to reduce the carrying value of the assets, did not compensate Occidental for approximately $60,000,000 of costs allocated to 51 per cent of the Libyan properties in excess of the amounts shown in the Libyan tax purpose records. Such costs included preacquisition costs, deferred start-up costs and capitalized construction period interest. Among the key points in the agreement were that Oxylibya continue as operator of the two concessions under a supervisory board, the majority of which is appointed by the Libyan government, and that Oxylibya be granted long-term rights to purchase Libya's 51 per cent share of the oil production.

Through September 30, 1975, the costs for which Occidental was not compensated were being amortized based on estimated total production during the anticipated life of sales contracts because it was anticipated that these costs would be recovered primarily from the contract customers. Amortization was approximately $14,900,000 in the nine-month period ended September 30, 1975, and $13,700,000 in 1974. In connection with the December, 1975 settlement agreement described below, these costs no longer require a separate amortization calculation.

On September 13 and 16, 1975, Oxylibya filed notices of arbitration against the Libyan government and the National Oil Corporation arising out of breaches by the Libyan parties of Oxylibya's oil concession agreements and its exploration and production sharing agreement, claiming damages in excess of $1,000,000,000. Oxylibya suspended payment of the portion then due of payables and taxes to Libya and the National Oil Corporation, which totaled approximately $440,000,000, pending the outcome of arbitration proceedings. The Libyan government suspended deliveries of Oxylibya's crude from the Zueitina terminal on October 1, 1975.

Under a settlement reached in December, 1975, the Libyan government permitted Oxylibya to resume deliveries, and Oxylibya dismissed the pending arbitration and paid amounts due to the Libyan government and the National Oil Corporation, either in cash or in notes. The agreement provides for allowable rates of production over a ten-year period. As part of the agreement, notes and amounts owing by Oxylibya to the Libyan government and the National Oil Corporation will not at any time be less than $272,000,000. Amounts due to the Libyan government in excess of $272,000,000 are included in current liabilities. Occidental's net investment in property, plant and equipment in Libya at December 31, 1975, including the unamortized balance of uncompensated costs mentioned above, approximated $254,577,000 and will be amortized over future production.

At December 31, 1975 and 1974, Occidental had invested approximately $362,141,000 and $304,575,000, respectively, for foreign exploration and development, exclusive of Libya. The amounts capitalized by major geographical area are as follows (amounts in thousands):

	1975	1974
United Kingdom	$238,805	$108,625
Peru	108,202	80,485
Venezuela	—	67,339
Nigeria	—	33,164
All others	15,134	14,962
	$362,141	$304,575

In the United Kingdom, Occidental has two major commercial oil field discoveries, the Piper field and the Claymore field.

In Peru, Occidental has made six oil discoveries. A trans-Andean pipeline is now under construction by the Peruvian national oil company (Petroperu), and a connecting pipeline to Occidental's discoveries is to be constructed by Petroperu. Occidental and Petroperu have agreed upon the tariff arrangements for Occidental's use of the pipeline system including a minimum annual payment of $21,775,000 for 15 years or until Occidental's interest under its production-sharing agreement is surrendered or terminated, whichever occurs earlier.

The above investments in foreign countries are all subject to the uncertainties of actions by these countries, which could significantly affect Occidental's operations.

In Venezuela, Occidental drilled a discovery well on each of two blocks and, under Occidental's service contracts, the Venezuelan national oil company (CVP) had to concur with Occidental's declarations that commerciality of the two wells was established

within the time prescribed. CVP required that an additional well be drilled by Occidental and another drilled by CVP in 1975 before it gave its concurrence. In September, 1975, CVP concurred with Occidental's determination that its discoveries on Block E were commercial. Block A was determined by CVP not to be commercial.

On August 28, 1975, the president of Venezuela signed a new law providing for reversion of oil interests to the Venezuelan government on December 31, 1975. This law applied to Occidental's interest and provided for compensation for monies invested in blocks on which commercial production was determined to exist. Occidental's total Venezuelan oil and gas exploration investments subject to claim of compensation attributable to Block E was approximately $43,900,000. Negotiations on the compensation to be paid Occidental were suspended in October, while the Venezuelan government investigated allegations in a lawsuit by a former Occidental employee that Occidental had made improper payments to Venezuelan officials.

Occidental determined in December, 1975 that resolution of the question of compensation and the necessary actions required by law could not and would not be taken within the time limits, and Occidental was therefore unable to predict that compensation would be received. Occidental decided to write off its net investment in Venezuela of approximately $73,428,000 at December 31, 1975.

In Nigeria, Occidental concluded its exploration drilling program which resulted in oil discoveries and began reviewing future development programs with possible participants and discussing with the Nigerian government the basis on which commercial development of these discoveries could commence. Because the discussions and negotiations did not result in a basis that would justify further investment by Occidental to develop its interest, Occidental decided to relinquish its last license and to write off its investment in Nigeria of approximately $33,330,000 at December 31, 1975.

It has been Occidental's policy to provide reserves against the future write-off of costs of foreign oil and gas operations. In December, 1975, Occidental's net investment in Venezuela and Nigeria was written off which fully utilized the reserve of $45,880,000, and the write-off resulted in a tax benefit of $41,500,000.

Construction was started in 1973 on a 125,000 barrel-per-day refinery at Canvey Island about 30 miles east of London. The refinery was originally designed to process Occidental's crude oil, including its share of North Sea oil, as well as to be available for contract processing for others. In March, 1975, Occidental decided, in line with the government's announced policy of providing for a higher degree of added value to petroleum production in the United Kingdom, to revise its construction plans to upgrade the facility's output. The refinery was originally scheduled to be completed in 1976, but construction of certain processing and other units is being delayed pending further study. Construction will continue on various facilities including tankage and jetties with expected expenditures in 1976 of $7,600,000. As of December 31, 1975, Occidental had invested $106,-915,000 in the refinery. Occidental has granted an option to the purchaser of its European retail marketing facilities to acquire a one-third interest in the Canvey refinery capacity.

6. Capital project expenditures

Capital project expenditures are applicable to capital expansion programs to be financed by others. During 1975, Occidental was reimbursed for expenditures under leasing arrangements for two projects under construction at December 31, 1974. Construction financing of $28,631,000, associated with one of these projects, was classified as contract advances in deferred credits at December 31, 1974.

7. Notes payable to banks

Occidental has informal lines of short-term credit with foreign banks available for working capital purposes. These lines approximated $6,441,000 and $62,736,000 at December 31, 1975 and 1974, respectively, and were not subject to commitment fees. Due to their informal nature, the lines of credit may be withdrawn by the banks at any time. In addition, Occidental has lines of credit for working capital purposes from foreign banks which have committed credit for a period of one year. The unused portion of those lines aggregated $11,648,000 at December 31, 1975.

At December 31, 1975 and 1974, Occidental had outstanding with foreign banks short-term notes payable of $35,746,000 and $40,866,000, respectively, at weighted average interest rates of 15.3 per cent and 13.6 per cent, respectively. During 1975 and 1974, the maximum amounts outstanding at any month end were $36,041,000 and $41,434,000, respectively; the average borrowings were $33,126,000 and $36,961,-000, respectively, and the weighted average interest rates for the average short-term borrowings were 15.7 per cent and 13.9 per cent, respectively. The weighted average interest rates for the average short-term borrowings were computed by dividing the total expense on all short-term notes by the average notes payable outstanding.

8. Long-term debt

Long-term debt, net of current maturities of $87,-468,000 at December 31, 1975, consists of the following:

	Interest Rate (per cent)	1975 (amounts in thousands)
Senior funded debt—		
Secured:		
Notes secured by mortgages on property, equipment and other assets—original cost $163,000,000	7⅜ to 7½	$136,940
Notes due through 1986, secured by mortgages on property, plant and equipment—original cost $25,000,000	5⅞	16,975
Unsecured:		
Revolving credit notes due through 1980	7¾	1,519
Notes due 1979-1993	8¾	105,000
Eurocurrency issues due through 1989	6½ to 10	131,963
Notes due through 1978 . . .	3⅝ to 8	34,669
Notes due 1979-1983	3⅝ to 12¼	185,127
Notes due 1984-1992	4⅝ to 7	44,927
Sinking fund debentures due through 1991	4⅜ to 5¼	20,364
Others due through 1992 . .	various	50,841
		$728,325
Subordinated debt—convertible debentures due 1982-1996 (Note 12)	7½	$124,998

Repayment of notes secured by mortgages on property, equipment and other assets, being developed in the United Kingdom (North Sea), is related to production levels. If certain specified production and reserve levels have not been established, repayment must be made in January, 1978, and, in any event, the loan must be repaid by 1983.

In February, 1976, Occidental's wholly-owned subsidiary, Occidental Overseas Finance N.V., issued $30,000,000 of 9¾ per cent Euronotes, due 1981, which are not included in the above table.

The interest rate on certain notes may fluctuate from time-to-time in accordance with money market conditions. Certain of the above indebtedness has been borrowed under agreements which contain covenants relating to maintenance of financial ratios, borrowings, declaration of cash dividends, etc. At December 31, 1975, under the most restrictive of these covenants, retained earnings of approximately $320,000,000 were available for the payment of cash dividends to preferred and common shareholders.

Minimum principal payments on senior funded debt, including sinking fund requirements, after December 31, 1976, are as follows (amounts in thousands):

1977	$177,375
1978	37,494
1979	75,602
1980	51,316
1981	73,302
Thereafter	313,236
	$728,325

Occidental had unused domestic and foreign lines of committed bank credit aggregating $395,000,000 and $120,000,000 at December 31, 1975 and 1974, respectively, with a commitment fee of up to ½-of-1 per cent per annum. In addition, for oil and gas properties in the United Kingdom (North Sea), Occidental had unused foreign committed bank credit of $22,000,000 and $100,000,000 at December 31, 1975 and 1974, respectively, available for payment of development costs, as they are incurred.

During 1975 and 1974, under informal arrangements, Occidental maintained on deposit with domestic creditor banks compensating balances for domestic long-term credit facilities approximating 10 per cent of the average credit commitment and an additional 10 per cent of the average amount outstanding. Average credit commitments and average amounts outstanding were as follows (amounts in thousands):

	1975	1974
Credit commitments —		
Average during the year	$232,000	$306,900
At year end	252,000	288,400
Amounts outstanding —		
Average during the year	117,400	229,600
At year end	7,800	268,900

9. Marine operations

Marine commitments and operations

The current marine operations consist of three owned tankers and approximately 15 vessels under charter-hire commitments, net of relets, aggregating approximately $162,539,000 at December 31, 1975, of which $47,039,000 is due in 1976, $35,878,000 in 1977, $31,635,000 in 1978, $24,835,000 in 1979, $13,565,000 in 1980 and $9,587,000 thereafter.

Lower fuel consumption, pursuant to energy conservation policies arising from price increases in OPEC countries, has resulted in continued depressed tanker charter rates near to, or at, historic lows, as have the uncertainties of potential nationalization of interests in oil producing properties. Approximately $131,000,000 (approximately 40 per cent of which is valued at the exchange rate for Swiss Francs on December 31, 1975, and will be subject to fluctuation with changes in the exchange rate) of the charter-hire commitments that existed at December 31, 1975, relate to two super tankers and one intermediate-sized tanker, none of which is presently subchartered to others on a long-term basis.

While these three large tankers are currently estimated to have revenues substantially less than the cost to operate, management estimates the total revenues from operations of all the tankers will only result in a nominal loss through 1979. The substantial losses for the large tankers are reduced by the profits contracted for on tankers presently on charter to others, estimated profits on small tankers presently in demand at higher charter rates and brokers estimates of rates for long-term charters on the three large tankers. A prolonged continuation of present depressed spot rates (which are substantially lower than estimated long-term rates) or a further decline in long-term rates could adversely affect Occidental's tanker operations for 1976 by approximately $6,000,000 if the three large tankers are not chartered out under long-term charters in 1976. Total marine income (loss) from tankers used to carry petroleum and goods of persons other than Occidental (before amortization of the emergency fleet reserve described below) was approximately $(8,900,000) in 1975 and $1,300,000 in 1974.

Emergency fleet position

Starting in May, 1970, when the Libyan government was demanding increased revenues from oil producers in Libya, the government ordered several cutbacks in permissible levels of production of Oxylibya and other major producers. Because of this curtailment and the threat of further dislocation of Occidental's favorable source of crude oil, a wholly-owned subsidiary of Occidental, as an emergency measure, began to substantially increase its marine fleet tonnage through additional time-charter commitments. As a result of the settlements with Libya, the subsidiary's expanded fleet position at December 31, 1971, significantly exceeded its normal operating requirements. This excess position, coupled with the major downward adjustment of world shipping rates during 1971, resulted in substantial losses on the excess capacity. Because the loss exposure under the charter agreements for the excess vessels extended, in part, into 1974, a reserve of $65,000,000 was provided in 1971 against possible future losses on those vessels.

Amortization of the emergency fleet reserve amounted to $680,000 in 1975 and $16,090,000 in 1974. The $680,000 was included in current liabilities at December 31, 1974. The entire reserve was amortized prior to December 31, 1975. No income is recognized from the tankers in the emergency fleet used to carry petroleum for Occidental, since the charges for this use form a part of the costs of petroleum transported. Income from the use of the tankers in the emergency fleet to carry petroleum and goods of

persons other than Occidental (after amortization of the emergency fleet reserve) was $12,124,000 in 1974.

10. Contingent liabilities and commitments

Lawsuits, claims and other allegations

A number of class actions and derivative actions were filed against Occidental, its chairman and others in 1971. These actions contain allegations, among others, concerning improper recognition of income by Occidental, chiefly in certain real estate and coal transactions and other matters in the years 1969 and 1970.

A number of other class, individual and derivative actions were filed against Occidental, its chairman and others in late 1973 and 1974. These actions contain allegations, among others, that the defendants omitted or misrepresented material facts relating primarily to Occidental's income from tanker operations in 1971 and its exposure to losses and potential write-downs thereon in its 1970 annual report to shareholders, in connection with securities offerings in June and July, 1971 and in certain subsequent press releases.

Each group of actions was brought following the entry of a consent injunction in a civil action brought by the Securities and Exchange Commission, the first based upon alleged violations of the antifraud provisions of the securities laws and the second based upon alleged violations of the prospectus delivery and antifraud provisions of such laws.

The class and individual actions seek damages in amounts not yet ascertainable which were purportedly suffered by persons who purchased or held Occidental securities or alternatively, in the case of the more recent actions, seek rescission. Occidental has been advised by special counsel that, based upon the information available to them, the defendants have a meritorious defense to the various claims made in these actions and should prevail. The derivative actions do not seek damages against Occidental.

In 1967, four suits were filed against Occidental in conjunction with its purchase of stock of Kern County Land Company and subsequent grant of an option to Tenneco Corporation to purchase the Tenneco stock to be issued to Occidental following the acquisition of Kern by Tenneco. These suits sought to recover an amount in excess of $20,000,000. At the present time, three of the suits have been dismissed in their entirety. All the claims in the remaining lawsuit, except one, have likewise been dismissed. The remaining claim seeks to recover all or part of the sum of $8,866,230 Occidental received for the option on the theory that such payment, in whole or in part, represented the consideration for the sale of Occidental's vote in connection with the above acquisition. Occidental has been advised by special counsel that, in their opinion, Occidental has meritorious defenses and should prevail. Occidental has counterclaims pending in the same lawsuit in a sum exceeding plaintiffs' claim.

In December, 1974, a purported class action was filed in the United States District Court for the Eastern District of Louisiana by three persons on behalf of themselves and allegedly more than 300 employees of Dravo Corporation similarly situated against Occidental's subsidiary, Hooker Chemicals & Plastics Corp., and Union Carbide Corporation. The complaint alleges that the plaintiffs, who worked on the enlargement of Hooker's caustic-chlorine facility at Taft, Louisiana, were injured by emissions of chlorine and other hazardous, toxic chemicals from Hooker's plant and the Union Carbide facility which both allegedly were operated in a negligent manner and in violation of federal law governing occupational safety and health and environmental protection. Upon the joint motion of the defendants, the portions of the complaint alleging violation of the federal occupational safety, health and environmental laws were dismissed. The plaintiffs seek damages in the amount of $1,500,000 for each member of the class. By *ex parte* amendments to the complaint, an additional 106 members of the alleged class have been added as named plaintiffs. Of these, 93 members each seek individual damages of $800,000 as opposed to the $1,500,000 per class member demanded in the original complaint. In February, 1976, the court denied the plaintiffs' motion to certify the action as a class action, thereby limiting the named plaintiffs to maintaining their own individual actions. The proceeding has not progressed far enough for special counsel to express an opinion concerning the merits of the individual claims of the named plaintiffs. Additional actions have been filed by various individuals in the Louisiana state courts and in the United States District Court for the Eastern District of Louisiana alleging injuries as a result of the same or similar emissions and seeking damages in various amounts. In the opinion of the management of Occidental, the individual federal and state court claims asserted in these additional actions are adequately covered by insurance.

In March, 1975, Nelson Bunker Hunt filed an action in the United States District Court for the Southern District of New York against Occidental, seven major international oil producers and two other Libyan producers. The plaintiff's concessionary interest in Libya was nationalized, and his claims arise out of a mutual assistance agreement made in 1971 which is no longer in effect. The plaintiff claimed to have been damaged by unreasonable restraint of trade relating to (a) an alleged course of conduct followed by the seven major international oil companies in connection with their operations both in Libya and the Persian Gulf, (b) an alleged failure of all the defendants to comply with their obligations under the mutual assistance pact to supply oil and to request Libya to provide Hunt with similar terms of settlement and (c) an alleged concurrence by all defendants in a limitation on the resale of the crude oil to be supplied to Hunt under the pact. In November, 1975, the court decided, *inter alia,* to dismiss the charges set forth in (a) above, at least insofar as they relate to the nationalization of Hunt's Libyan concession, and also stayed proceedings on any claims based solely on breach of contract. The plaintiff has not fully defined his damages but, on the claims remaining in the case after the court's decision, claims treble damages for loss of profit of not less than $125,000,000 for crude oil allegedly covered by the pact. The pact provides for liquidated damages for any crude oil that may not have been delivered. It is the opinion of Occidental's special counsel that Occidental has meritorious defenses to the various claims and should not incur any material liability with respect thereto.

Occidental's subsidiary, Hooker Chemicals & Plastics Corp., has been named as a co-defendant in four separate actions filed in the United States District Court for the Eastern District of Virginia, which relate

directly or indirectly to the manufacture of the pesticide Kepone by Life Science Products Company of Hopewell, Virginia. Hooker sold to Allied Chemicals Corporation certain ingredients which were delivered to and used by Life Science in the manufacture of Kepone. In the first two actions, filed against Allied and Hooker by certain former employees of Life Science in September, 1975 and February, 1976, the complaints allege that 17 plaintiffs were injured in the course of their employment by Kepone and by raw materials used in the production of Kepone which were supplied by Allied and Hooker, and seek damages totaling $45,900,000 (including punitive damages of $8,500,000). In the third action, filed against Allied and Hooker in February, 1976 by 32 plaintiffs who are presumably family members of former Life Science employees, the complaint alleges bodily injuries resulting from exposure to Kepone and seeks damages totaling $55,500,000 (including punitive damages of $16,000,000). In the fourth action, an admiralty suit filed against Life Science, Allied and Hooker in January, 1976 by commercial fishermen, oyster tongers, crabbers and shell fishermen engaged in the seafood industry in the navigable waters of the James River, the amended complaint seeks damages totaling $7,356,400 on behalf of 252 plaintiffs resulting from the alleged contamination of seafood through the pollution of the James River by Kepone. In the opinion of the management of Occidental, the aggregate amount of the claims, excluding punitive damages, in the first three actions is adequately covered by insurance. The proceedings in none of the four actions have progressed far enough to allow Occidental's special counsel to express any opinion as to the merit of the claims or the ultimate liability of Hooker.

There are various other lawsuits pending against Occidental and its subsidiaries, some of which involve substantial amounts. While at this time it is impossible to determine the ultimate legal liabilities which may arise from such other litigation, in the opinion of Occidental's General Counsel such lawsuits are not likely to result in losses the aggregate amount of which would have a material adverse effect upon the consolidated financial position of Occidental and its subsidiaries or result in a substantial impairment of their operations.

Governmental regulations

Occidental's domestic oil and gas operations are subject to the regulations of governmental agencies, including the Federal Energy Administration (FEA), with respect to crude oil prices, profit margins and allocation. The FEA regulations are difficult to interpret. The records of Occidental's wholly-owned subsidiary, The Permian Corporation, are currently being audited by the FEA. In the opinion of management, any FEA claim will not result in any significant adverse effect upon the consolidated financial position of Occidental and its subsidiaries.

Lease commitments

Occidental has various commitments relating to leases extending for varying periods of time. Average minimum annual rentals, net of an immaterial amount of sublease rentals, for noncancellable leases in force at December 31, 1975, covering operating, transportation, office and storage facilities (excluding oil and gas, coal and mineral leases and marine charter rentals) after December 31, 1975, are as follows (amounts in thousands):

	Financing Leases	Other Leases
1976	$ 31,813	$13,114
1977	31,026	12,192
1978	30,238	10,478
1979	28,925	7,855
1980	28,213	6,226
1981-1985	130,450	16,972
1986-1990	94,496	1,848
1991-1995	60,437	889
Thereafter	2,918	6,049
	$438,516	$75,623

At December 31, 1974, the present value of the minimum lease commitments for all noncapitalized financing leases was less than 5 per cent of long-term debt, shareholders' equity and the present value of the minimum lease commitments. If all noncapitalized financing leases were capitalized, related assets were amortized on a straight-line basis and interest costs were accrued on the basis of the outstanding lease liability, the effect on net income would be less than 3 per cent of the average net income for the three years ended December 31, 1975 and 1974, respectively.

The present values of the minimum lease commitments and sublease rentals for all noncapitalized financing leases in the aggregate and by major categories of properties at December 31, 1975, are as follows:

Category	Leases	Sublease Rentals	Interest Rate: Weighted Average	Interest Rate: Range
	(amounts in thousands)			
Oil and gas operations — International production and exploration:				
Leases, exploration cost and well equipment	$ 2,463	$ —	10.0%	10.0%
Other	4,048	—	12.0%	9.5-12.0%
	6,511	—		
International refining and transportation:				
Refineries and terminals	1,538	—	8.6%	8.5-12.6%
Other	208	282	11.4%	10.0-12.0%
	1,746	282		
Chemical operations —				
Land and land improvements	19	—	6.0%	6.0%
Buildings	12,178	5,849	6.6%	4.9-10.0%
Machinery and equipment	217,387	—	7.5%	2.6-15.0%
Other	6,878	—	7.2%	6.8- 9.5%
	236,462	5,849		
Coal operations —				
Mining equipment and related facilities	18,548	—	7.7%	5.0-10.5%
Other	498	—	8.0%	8.0%
	19,046	—		
	$263,765	$6,131		

The total rental expense, net of an immaterial amount of sublease rentals, is as follows (amounts in thousands):

	Contingent Leases	Financing Leases	Other Leases	Total
1975	$5,441	$19,004	$13,490	$37,935
1974	3,762	8,999	10,906	23,667

Other contingencies and commitments

Occidental has approved for commitment major capital expenditures of approximately $725,000,000 at December 31, 1975. In addition, Occidental will have to make major capital expenditures in relation to the sale of superphosphoric acid to the U.S.S.R. of approximately $395,000,000.

See Note 5 for a discussion of the Peruvian pipeline commitment.

Occidental and its subsidiaries have certain other contingent liabilities and claims under contracts as guarantors of debt, as joint venturers and with regard to other potential obligations, all in the ordinary course of business. Officials of Occidental are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of Occidental and its subsidiaries.

11. Domestic and foreign income, franchise and other taxes

Income tax expense consists of the following (amounts in thousands):

	U.S. Federal	Foreign	State and Local	Total
1975 —				
Current	$ 7,000	$408,955	$15,678	$431,633
Deferred	5,500	4,224	18	9,742
	$12,500	$413,179	$15,696	$441,375
1974 —				
Current	$ 5,000	$478,887	$ 9,863	$493,750
Deferred	19,500	(529)	—	18,971
	$24,500	$478,358	$ 9,863	$512,721

The following is an analysis of the difference between Occidental's effective tax rate and that computed by applying the U.S. federal income tax rate of 48 per cent to income before tax, including the gain from the emergency fleet (amounts in thousands):

	1975 Amount	1975 Per cent of Pretax Income	1974 Amount	1974 Per cent of Pretax Income
Computed expected tax expense	$294,399	48%	$379,174	48%
Excess of foreign taxes over U.S. limitation on utilization of foreign tax credits	206,150	34	211,928	27
Domestic statutory depletion for oil and gas and mining revenues in excess of cost depletion	(30,902)	(5)	(22,768)	(3)
Income attributable to DISC deemed permanently deferred	(8,607)	(1)	(8,812)	(1)
Differences related to foreign operations deemed permanently deferred	(25,568)	(4)	(33,173)	(4)
Investment tax credit	(15,501)	(3)	(21,858)	(3)
Federal minimum tax on preference items and state taxes	15,162	2	7,943	1
Other permanent differences	6,242	1	287	—
	$441,375	72%	$512,721	65%

Substantially all of the current provisions for foreign income taxes relate to Occidental's Libyan operations. The Internal Revenue Service has completed its audits through 1971, and no significant adjustments were proposed.

The following is a summary of operating and income taxes charged to operations (amounts in thousands):

	1975	1974
Operating taxes —		
Property	$ 10,759	$ 10,161
Gross production	16,898	12,742
Payroll	24,433	21,357
Other	23,936	27,246
	76,026	71,506
Income taxes —		
Federal —		
Current	7,000	5,000
Deferred	5,500	19,500
State	15,696	9,863
Foreign —		
Current	408,955	478,887
Deferred	4,224	(529)
	441,375	512,721
Total	$517,401	$584,227

12. Capital stock and stock options

Capital stock

The following is an anaylsis of the capital stock accounts for the two years ended December 31, 1975, including 574,582 and 566,546 common shares held in treasury at December 31, 1975 and 1974, respectively (shares in thousands):

	Common Shares	Preferred Stocks: Nonconvertible $8.00	Nonconvertible $2.50	Convertible $4.00	Convertible $3.60	Convertible $2.16
Balance, December 31, 1973	55,670	175	—	1,249	3,265	548
Stock options exercised	11	—	—	—	—	—
Balance, December 31, 1974	55,681	175	—	1,249	3,265	548
Preferred stock issued	—	—	3,000	—	—	—
Conversion of preferred stocks	1,092	—	—	(65)	(273)	—
Stock options exercised	50	—	—	—	—	—
Balance, December 31, 1975	56,823	175	3,000	1,184	2,992	548

The holders of preferred stocks are entitled to voting rights and cumulative quarterly dividends.

The $4.00, $3.60 and $2.16 convertible preferred stocks are redeemable at the option of Occidental at $105, $100 and $47.50, respectively, and are convertible into 3.1546, 3.2373 and 1.6000 common shares, respectively. Occidental has reserved approximately 14,296,000 common shares at December 31, 1975, for conversion of convertible preferred stocks.

The $8.00 nonconvertible preferred stock is redeemable at the option of Occidental at $100 per share; however, it is subject to mandatory redemption through sinking fund requirements from 1978 through 1981 at $100 per share.

During 1975, 3,000,000 units, each unit consisting of one share of $2.50 nonconvertible preferred stock and one warrant to purchase one common share, were issued. The $2.50 nonconvertible preferred stock is redeemable at the option of Occidental at $27.50 per share commencing in 1980 and at declining amounts thereafter through 1995; however, it is subject to mandatory redemption through sinking fund requirements commencing in 1981 through 2000 at $25.00 per share. The discount (the difference between issuance price and fair market value at date of issuance, net of

amortization) of $17,103,000 at December 31, 1975, on the issuance of the nonconvertible preferred stock will be amortized to additional paid-in capital through October 1, 2000. Amortization amounted to $841,000 during 1975.

The warrants are separately transferable and entitle the holder to purchase one common share at $16.25 until April 22, 1980, unless extended by Occidental. Upon expiration, one common share will be issued for each 100 warrants. Approximately 3,000,000 common shares have been reserved for the exercise of warrants. The value assigned to the warrants of $13,236,000, representing the estimated fair market value on date of issuance, is included in additional paid-in capital.

The convertible subordinated debentures are redeemable at the option of Occidental, in whole or in part, at 105.9 per cent of the principal amount plus accrued interest and at decreasing amounts on June 15 of each year. The debentures are subject to sinking fund requirements commencing June 15, 1982, retiring $6,250,000 principal amount annually and, in addition, Occidental may, at its option commencing June 15, 1976, retire up to $6,250,000 principal amount annually, in each case at 100 per cent of the principal amount plus accrued interest. The debentures are convertible, prior to maturity or retirement, into common shares of Occidental at $20 per share and approximately 6,250,000 shares have been reserved for such conversion.

Stock options

Options to purchase common shares of Occidental have been granted to officers and employees under stock option plans adopted in 1966 and 1971. At December 31, 1975, options to purchase approximately 1,895,000 common shares have been granted and are outstanding at prices from $8.00 to $21.25 per share, and approximately 630,000 common shares were reserved for the granting of additional options. During 1975 and 1974, options for approximately 94,000 and 87,000 shares, respectively, became exercisable and options for 907,000 shares were exercisable at December 31, 1975.

The following is a summary of stock option transactions during 1975 and 1974 (shares in thousands):

	1975	1974
Beginning balance	1,213	1,295
Granted	923	88
Exercised	(50)	(11)
Canceled	(191)	(159)
Ending balance	1,895	1,213

No amounts have been reflected in the income accounts of Occidental with respect to stock options. Proceeds from sales of common shares upon exercise are credited to the common share account at par value, and the amounts in excess thereof are credited to additional paid-in capital.

13. Retirement plans

Occidental and its subsidiaries have several noncontributory pension plans covering substantially all of their employees. Occidental's policy is to fund pension costs accrued. The total expense of the plans, including amortization of an immaterial amount of prior service costs, was $20,250,000 in 1975 and $10,000,000 in 1974. The increase in costs is primarily the result of increases in plan benefits, increases in the number of covered employees and the change from a contributory to a noncontributory plan at all locations.

At December 31, 1975, pension funds and amounts accrued exceed or approximate the actuarially computed value of vested benefits based on the most recent valuation date.

The Pension Reform Act of 1974 requires Occidental to amend some of its pension plans to conform with certain provisions of the act which will become effective in 1976. Occidental believes that the effect on annual pension costs, the funding of such costs for 1976 and subsequent years, and the effect on unfunded vested benefits, resulting from this amendment, will not be significant.

14. Bonus and profit-sharing plans

In 1972, Occidental adopted an Executive Incentive Compensation Plan for officers and key employees which is administered by a committee consisting of five members of the board of directors. Bonuses are based upon the extent to which operational results of each division exceed a designated rate of return on equity. Generally, an employee cannot receive an award in excess of 40 per cent of his base salary. Bonuses are payable in cash, and the amount charged to operations was approximately $2,000,000 during 1975 and $2,900,000 during 1974.

15. Earnings per common share

Earnings per common share for 1975 and 1974 are based upon earnings applicable to average common shares outstanding during the years and an insignificant number of stock options granted after June 1, 1969, which are common share equivalents. Preferred dividends and amortization of discount on preferred stock are deducted from net income to arrive at net income available for common shareholders.

Fully diluted earnings per share give effect to the reduction in earnings per share which would result from the conversion of all convertible preferred stocks and debentures and exercise of stock options granted up to June 1, 1969, and included in the fully-diluted computation under the provisions of a pronouncement of the American Institute of Certified Public Accountants in effect prior to that date. In computing the per share effect of assumed conversions, (a) dividends on convertible preferred stock have been added to earnings applicable to common shareholders, (b) it has been assumed that the convertible debentures have been converted and the interest expense, net of taxes, for the year has been added to earnings, and (c) the related additional issuable common shares have been added to average outstanding common shares.

Report of Independent Public Accountants

To the Shareholders and Board of Directors,
Occidental Petroleum Corporation:

We have examined the consolidated balance sheets of OCCIDENTAL PETROLEUM CORPORATION (a California corporation) and consolidated subsidiaries as of December 31, 1975 and 1974, and the related consolidated statements of operations, shareholders' equity and changes in financial position (pages 59 through 72, inclusive) for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Occidental Petroleum Corporation and consolidated subsidiaries as of December 31, 1975 and 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, after giving retroactive effect to the changes (with which we concur) in the methods (as indicated in Note 2 to the consolidated financial statements) of accounting for foreign currency translations and providing for deferred income taxes on intangible drilling and development costs, were consistently applied during the periods.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
February 18, 1976.

Occidental Petroleum Corporation — Consolidated Employee Compensation and Benefits

For the five years ended December 31, 1975

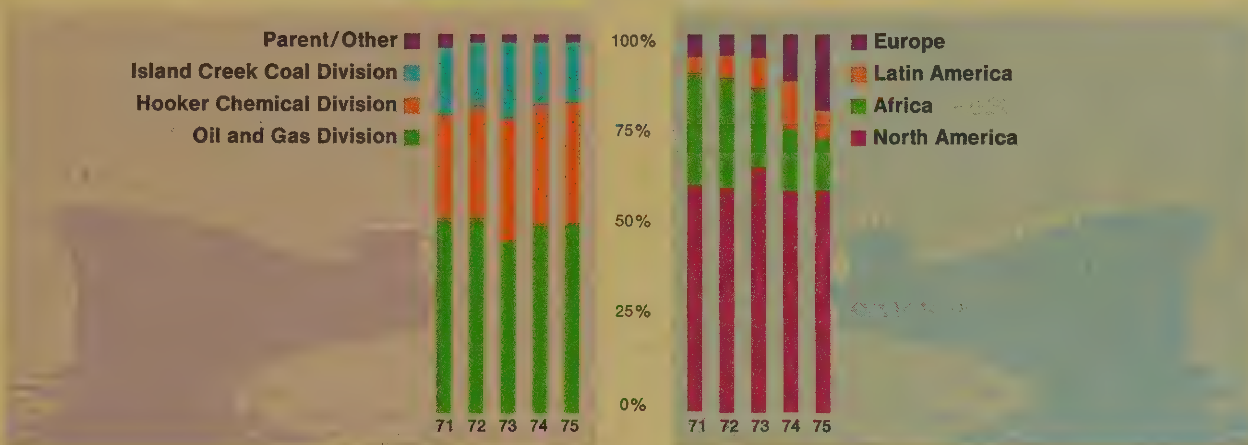
	1975	1974	1973	1972	1971
			(dollar amounts in thousands)		
EMPLOYEE COMPENSATION:					
Wages, salaries and related items	**$439,550**	$382,816	$301,383	$281,640	$262,049
OCCIDENTAL'S CONTRIBUTION TO COMPANY BENEFIT PLANS:					
Thrift plans	**$ 2,216**	$ 1,320	$ 534	$ 531	$ 572
Retirement plans	**22,352**	11,609	7,628	6,396	6,673
Group life and hospital insurance	**13,566**	10,626	9,862	8,775	7,711
Scholarship programs	**72**	174	217	689	295
Other employee benefits	**3,454**	3,181	4,835	4,201	3,533
Union retirement and welfare fund	**24,659**	15,590	13,996	12,030	8,796
Total	**$ 66,319**	$ 42,500	$ 37,072	$ 32,622	$ 27,580
EMPLOYEE CONTRIBUTIONS TO COMPANY BENEFIT PLANS:					
Thrift plans	**$ 4,524**	$ 2,485	$ 1,383	$ 1,365	$ 1,420
Retirement plans	**608**	859	316	407	405
Group life and hospital insurance	**1,388**	1,044	1,414	1,288	1,183
Total	**$ 6,520**	$ 4,388	$ 3,113	$ 3,060	$ 3,008
NUMBER OF EMPLOYEES:					
Oil and gas —					
United States	**2,009**	1,658	1,459	1,442	1,408
International	**2,593**	4,292	3,862	3,808	3,955
Chemical —					
United States	**11,429**	10,801	10,354	9,870	9,799
International	**7,020**	7,996	8,317	7,633	7,359
Coal	**8,759**	8,087	7,614	7,302	9,149
Others	**1,127**	1,069	652	523	365
Total	**32,937**	33,903	32,258	30,578	32,035

Occidental Petroleum Corporation/Oxy Around the World

For the five years ended December 31, 1975

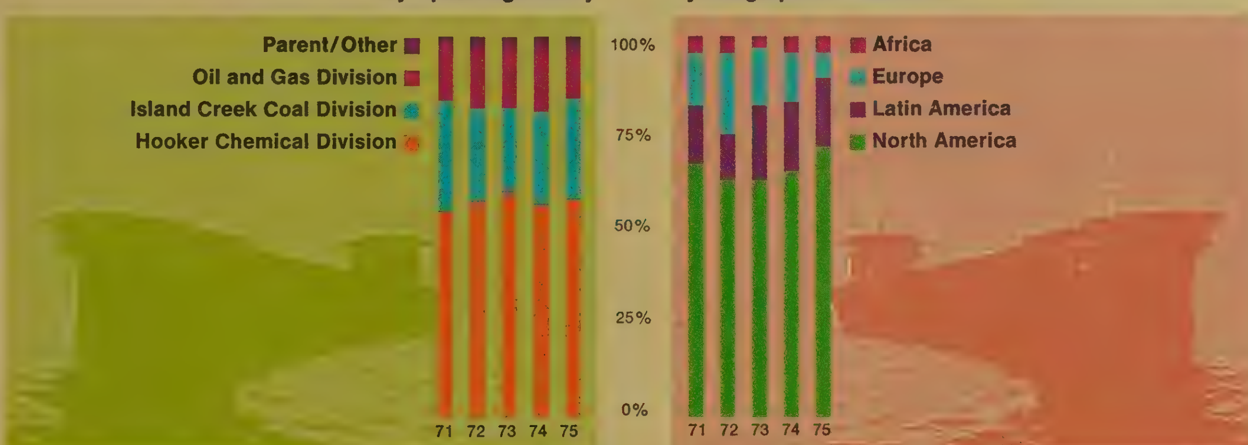
Property, Plant and Equipment

By Operating Activity | By Geographical Location



Employees

By Operating Activity | By Geographical Location



Revenues

By Operating Activity | By Geographical Location

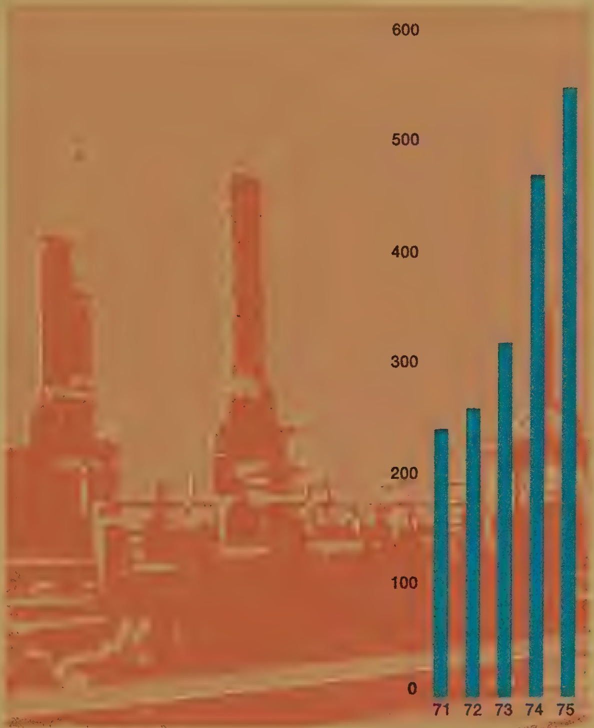
Occidental Petroleum Corporation and Consolidated Subsidiaries
Statistical Highlights
For the five years ended December 31, 1975

	1975	1974	1973	1972	1971
CHANGES IN FINANCIAL POSITION:					
(millions) —					
Total funds available:					
Funds from operations	**$ 418.6**	$ 435.7	$ 205.2	$ 110.1	$ 112.6
Additions to long-term debt	**247.8**	204.2	173.8	182.6	206.6
Issuance of equity	**102.1**	18.2	—	—	0.5
Notes and amounts due Libya	**272.0**	—	—	—	—
Other	**111.9**	138.9	183.1	40.7	79.5
Total	**1,152.4**	797.0	562.1	333.4	399.2
Total funds used:					
Additions to property, plant and equipment	**495.7**	424.0	199.4	181.2	216.6
Preferred dividends	**23.6**	19.3	19.3	19.2	20.3
Common dividends	**55.8**	13.8	—	—	47.5
Reduction in long-term debt	**434.7**	109.3	235.5	85.5	192.0
Other	**61.6**	80.1	47.6	31.9	37.5
Total	**1,071.4**	646.5	501.8	317.8	513.9
Increase (decrease) in working capital	**$ 81.0**	$ 150.5	$ 60.3	$ 15.6	$ (114.7)
BALANCE SHEET DATA (millions):					
Net working capital	**$ 544.6**	$ 463.7	$ 313.1	$ 252.9	$ 237.2
Net property	**1,928.0**	1,640.9	1,349.7	1,436.7	1,373.8
Gross property	**2,993.0**	2,630.4	2,305.3	2,142.1	2,002.9
Total assets	**3,503.4**	3,292.7	2,808.3	2,516.1	2,534.2
Long-term debt	**853.3**	1,040.3	963.8	995.8	898.7
Minority interest	**70.2**	37.6	18.6	17.0	15.5
Shareholders' equity	**1,200.6**	1,036.6	792.3	751.2	761.9
Current ratio	**1.70**	1.51	1.36	1.45	1.36
Equity/debt	**1.41**	1.00	.82	.75	.85
Equity/senior funded debt	**1.65**	1.13	.94	.86	.98
COMMON STOCK DATA:					
Primary earnings per share	**$ 2.64**	$ 4.68	$ 0.75	$ (0.20)	$ (2.02)
Fully diluted earnings per share	**2.20**	3.73	*	*	*
Dividends per share	**1.00**	0.25	—	—	0.88
Stock price:					
High	**22-5/8**	14-5/8	13-1/2	18-1/4	22-3/4
Low	**12-5/8**	7-3/8	7-3/4	10	9-7/8
Average outstanding common shares and common share equivalents (millions)	**55.9**	55.1	55.1	55.1	54.2

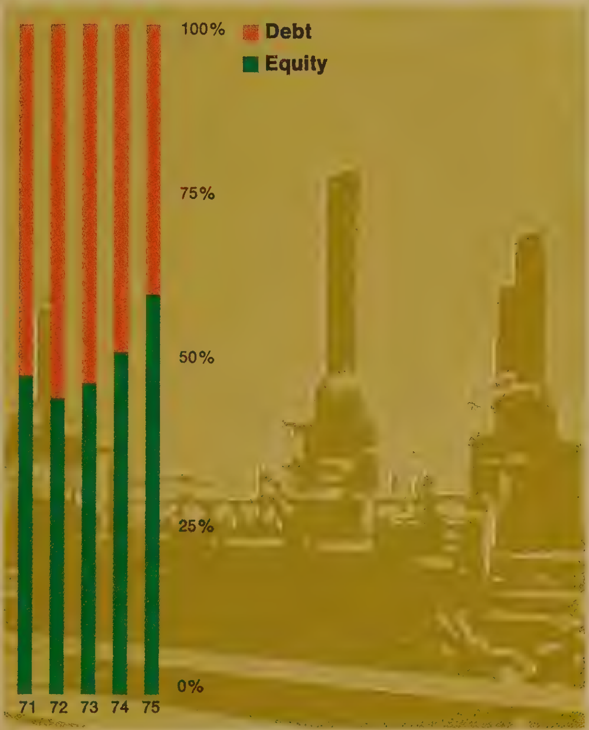
*Not shown since effect would be antidilutive.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Statistical Highlights
For the five years ended December 31, 1975

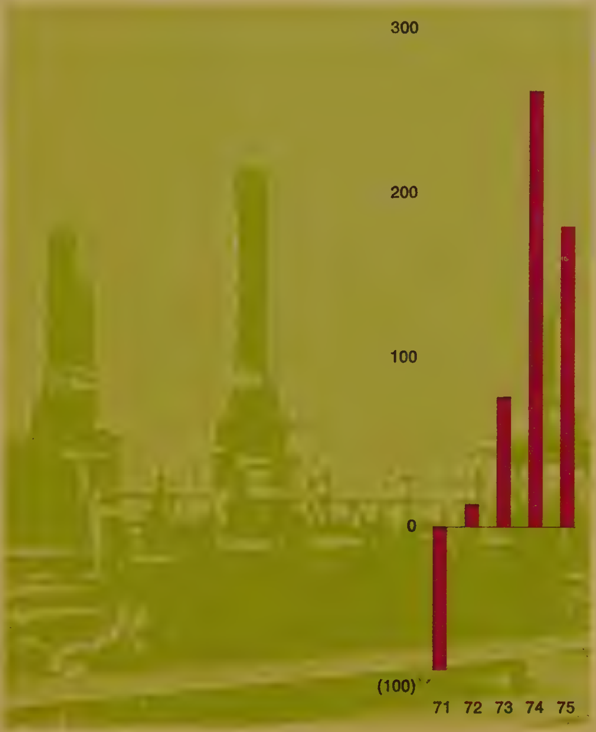
Growth In Net Working Capital
(in millions)



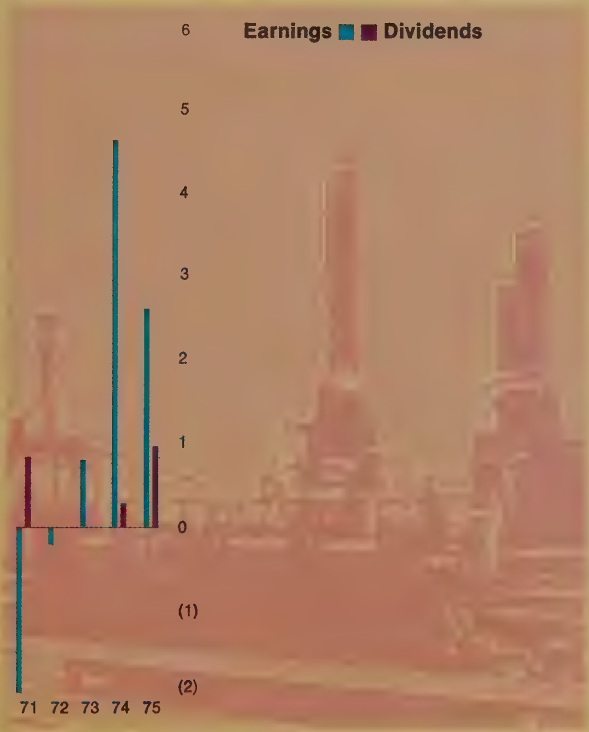
Capitalization Trends
(in per cent)



Income Before Extraordinary Items
(in millions of dollars)



Earnings and Dividends Per Common Share
(in dollars)



Occidental Petroleum Corporation and Consolidated Subsidiaries
Six Year Summary of Consolidated Operations

	1975
Revenues:	
Net sales	$5,345,938,000
Interest and other income	53,224,000
	5,399,162,000
Costs and other deductions:	
Cost of sales	4,353,699,000
Selling, general and administrative and other operating expenses	351,198,000
Provision for domestic and foreign income, franchise and other taxes	441,375,000
Interest and debt expense	73,154,000
Minority interests in net income of subsidiaries	5,128,000
	5,224,554,000
Income from continuing operations before gains (losses) from emergency fleet position and extraordinary items	174,608,000
Gains (losses) from emergency fleet position	—
Income (loss) from continuing operations before extraordinary items	174,608,000
Loss from discontinued operations	(2,652,000)
Income (loss) before extraordinary items	171,956,000
Extraordinary items	—
Net income (loss) including sales of coal lease rights in 1970* —	
Reflecting accounting changes[2]	$ 171,956,000
As originally reported	$ 171,956,000
Restatements:	
Research and development	—
Canadian deferred income taxes	—
Translation of foreign currencies	—
Net income (loss) as above	$ 171,956,000
Net income per share including sales of coal lease rights in 1970*[1]:	
From continuing operations before extraordinary items	$ 2.69
Loss from discontinued operations	(0.05)
Extraordinary items	—
Total —	
Reflecting accounting changes[2]	$ 2.64
As originally reported	$ 2.64
Fully diluted net income per share including sales of coal lease rights in 1970	$ 2.20
Net income excluding sales of coal lease rights*	
Primary net income per share excluding sales of coal lease rights*	
Fully diluted net income per share excluding sales of coal lease rights*	

*The Securities and Exchange Commission has alleged that certain sales of coal lease rights should not have been included in income in 1970. The company believes that the inclusion of such sales in income was proper. If such sales were not included in income, net income per share would be as set forth above on the last two asterisked lines.

[1]Based on average number of shares outstanding after giving effect to a stock dividend issued in 1970.

1974	1973	1972	1971	1970
$5,537,505,000	$3,013,815,000	$2,382,500,000	$2,280,261,000	$2,129,296,000
40,684,000	26,741,000	23,375,000	30,294,000	26,210,000
5,578,189,000	3,040,556,000	2,405,875,000	2,310,555,000	2,155,506,000
4,368,653,000	2,338,027,000	1,871,609,000	1,687,241,000	1,555,811,000
286,504,000	239,409,000	185,230,000	188,210,000	153,536,000
512,721,000	274,859,000	271,917,000	337,978,000	224,640,000
100,956,000	104,094,000	66,032,000	80,432,000	51,397,000
2,273,000	1,628,000	1,166,000	760,000	331,000
5,271,107,000	2,958,017,000	2,395,954,000	2,294,621,000	1,985,715,000
307,082,000	82,539,000	9,921,000	15,934,000	169,791,000
12,124,000	25,976,000	2,662,000	(87,931,000)	5,635,000
319,206,000	108,515,000	12,583,000	(71,997,000)	175,426,000
(41,981,000)	(48,059,000)	(5,100,000)	(8,760,000)	(4,609,000)
277,225,000	60,456,000	7,483,000	(80,757,000)	170,817,000
—	—	938,000	(8,473,000)	—
$ 277,225,000	$ 60,456,000	$ 8,421,000	$ (89,230,000)	$ 170,817,000
$ 280,677,000	$ 77,450,000	$ 10,419,000	$ (67,002,000)	$ 175,234,000
—	(5,584,000)	(5,749,000)	(5,988,000)	(5,437,000)
—	—	(1,812,000)	(921,000)	(172,000)
(3,452,000)	(11,410,000)	5,563,000	(15,319,000)	1,192,000
$ 277,225,000	$ 60,456,000	$ 8,421,000	$ (89,230,000)	$ 170,817,000
$ 5.44	$ 1.62	$ (0.12)	$ (1.70)	$ 2.92
(0.76)	(0.87)	(0.09)	(0.16)	(0.09)
—	—	0.01	(0.16)	—
$ 4.68	$ 0.75	$ (0.20)	$ (2.02)	$ 2.83
$ 4.74	$ 1.05	$ (0.16)	$ (1.61)	$ 2.92
$ 3.73	—[3]	—[3]	—[3]	$ 2.47
				$ 166,358,000
				$ 2.75
				$ 2.40

2Accounting changes represent retroactive restatements of earnings for (1) method of accounting for research and development costs, (2) provision for deferred Canadian income taxes, and (3) translation of foreign currencies.

[3]Not shown since the effect would be antidilutive.

Management's Discussion and Analysis of the Six Year Summary of Consolidated Operations

The following discussion and analysis of the Summary of Consolidated Operations (page 78) should be read in conjunction with the tabular presentation of Occidental's net sales and income for the five years ended December 31, 1975, by lines of business (pages 82 and 83) and the notes and comments following the tables.

Comparison of 1974 to 1973

Net sales increased by $2,523,690,000 or 83.7 per cent in 1974. This increase was due primarily to higher prices obtained in all lines of business. Sales volumes in the oil and gas division and in the coal division declined from the year 1973 while the product volumes in the chemical division were about level with 1973. Interest and other income increased by $13,943,000 during 1974 as a result of increased cash invested for the short term at higher rates. Cost of sales, as a percentage of net sales, increased in 1974 to 78.9 per cent compared with 77.6 per cent in 1973.

Selling and general and administrative expenses increased by $47,095,000 in 1974; however, as a result of the sharp increase in net sales, these expenses declined to 5.2 per cent thereof in 1974 compared with 7.9 per cent in 1973. The domestic income tax provision for 1974 increased over 1973 by $28,884,000 because a substantial portion of the increase in 1974 net income was domestic in origin. The increase in the foreign income tax provision in 1974 of $208,978,000 was the result of higher per-barrel taxes paid to the Libyan government.

The loss from discontinued operations (European retail petroleum marketing operations and domestic real estate) in 1974 was $41,981,000 compared with a loss in 1973 of $48,059,000 which included a $20,000,000 provision to reduce the carrying value of the fixed assets associated with the petroleum marketing operations and certain refinery operations to estimated realizable values. Even though there were improved prices allowed in 1974 for refined products under European governmental controls, such price increases were not sufficient to offset the higher cost of crude oil. Included in the loss from the discontinued real estate operations in 1974 was a reserve provision of $7,000,000 to reduce the carrying values to estimated realizable values.

In 1974, Occidental elected to adopt a change to the LIFO (last-in, first-out) method of accounting for inventories from the previously used FIFO (first-in, first-out) method. Net income for 1974 was reduced by $48,112,000 as a result of this change. A restatement of results for prior years is not applicable since, under Accounting Principles Board Opinion No. 20, there is no cumulative effect of the change on prior years.

Comparison of 1975 to 1974

Net sales decreased by $191,567,000 or 3.5 per cent in 1975. This decrease occurred primarily in the oil and gas division because of lower production in Libya and the dispute with the Libyan government in October and November, and in the chemical division due to lower volumes and prices in agricultural chemicals, partially offset by increased sales in the coal division due to higher price realization on reduced volumes. Interest and other income increased by $12,540,000 or 30.8 per cent as a result of increased cash invested for the short term. Cost of sales, as a percentage of sales, increased in 1975 to 81.4 per cent compared with 78.9 per cent in 1974. This increase, in large part, is due to increased costs (and decreased profit margins) incurred in Libyan operations which more than offset increased profit margins in the coal division.

Selling and general and administrative expenses increased by $64,694,000 in 1975 primarily as a result of increases in the chemical division due to a major reorganization in operations which resulted in nonrecurring costs in addition to generally higher costs and selling expenses due to inflation.

Because Occidental has substantial operations outside the United States, its income may be affected by changes in exchange rates between the U.S. dollar and foreign currencies. Included in arriving at net income before provision for domestic and foreign income taxes was a gain of $1,338,000 in 1975, when the dollar was relatively stronger, compared with a loss of $20,766,000 in 1974 resulting from translation of foreign currencies.

Provision for domestic and foreign income, franchise and other taxes decreased by $71,346,000, primarily due to decreased taxes in Libya resulting from lower production and as a result of a tax benefit of $41,500,000 associated with the write-off of Occidental's investments in Venezuela and Nigeria which more than offset the taxes related to higher domestic earnings. Interest and debt expense decreased by $27,802,000 in 1975 due primarily to decreased debt levels, lower interest rates and increased interest capitalized. The loss from discontinued operations

decreased by $39,329,000 in 1975 primarily due to the disposal of the European retail marketing operations in December, 1974.

Certain items of expense showed material variations from year to year. Maintenance and repairs expense increased $34,653,000 in 1975 to $138,680,000. Principal factors contributing to this increase were substantial increases in the cost of labor and materials and expansion of chemical facilities. The $26,134,000 (23.4 per cent) increase in depreciation, depletion and amortization of property, plant and equipment in 1975 is the result of reserve provisions for foreign oil and gas abandonment and other reserves which were not made in 1974 and increases in the property, plant and equipment account subject to amortization, principally in chemical and coal operations. Excise taxes decreased $189,450,000 (94.0 per cent) in 1975 as a consequence of the sale at the end of 1974 of Occidental's European retail marketing operations which generated substantial excise taxes in the 1974 period. Property, state franchise and other taxes increased largely due to higher rates. Rent increased $14,268,000 (60.3 per cent) in 1975 principally because of additional leased chemical facilities. Royalties increased $19,870,000 (15.7 per cent) as a result of the existence during 1975 of higher average posted prices upon which royalties paid to the Libyan government were computed.

Occidental's oil and gas investments in Venezuela and Nigeria, which totaled $106,700,000, along with certain other costs of investigating oil prospects abroad, were written off at the end of 1975 and resulted in a year-end charge to operations of $19,300,000 after utilization of the entire oil and gas abandonment reserve of $45,880,000 and after application of a $41,500,000 tax benefit.

Certain factors which may adversely affect future operations

In Libya, where substantially all of Occidental's international oil and gas production to date has originated, Occidental experienced the nationalization of 51 per cent of its assets in 1973. In addition, the Libyan government, through its tax, royalty and buyback price policies, has the ability to determine Occidental's costs for Libyan crude oil and, therefore, whether Occidental can sell such oil at a profit.

In September, 1975, a dispute arose between Occidental and the Libyan government and Occidental filed notices of arbitration and suspended payments of payables pending resolution of the various disputes. In December, 1975, a new agreement was reached with the Libyan government that provided, among other things, for (1) permitted production levels, (2) rights to buy back and market the Libyan National Oil Company's 51 per cent of production and (3) the intention of the Libyan government to assure fair remuneration to Occidental. In addition, it was agreed that the aggregate amount of Occidental's payables to Libya for taxes and royalties will not, at any time, be less than $272,000,000, approximating Occidental's net investment in Libya at the time of the agreement. For further discussions, see "Operations in Libya" text in this annual report.

Occidental continues its oil and gas exploration and development programs in the United Kingdom sector of the North Sea and Peru. At December 31, 1975, Occidental's net investments in these areas were: United Kingdom — $238,805,000, and Peru — $108,202,000. In general, such exploration and development programs require substantial investments and operations in such foreign countries remain subject to the risk of takeover or restraints on potential profitability, through legislation or otherwise. For current status of developments in the United Kingdom and Peru, see Oil and Gas Exploration and Production text in this annual report.

The world tanker market continues to be severely depressed due to a variety of factors. Occidental's marine transportation operations would be adversely affected in 1976 and in subsequent years by a prolonged continuation of present depressed spot charter rates for very large crude carriers or future decline for long-term or spot charter rates for vessels of all sizes, since Occidental has future fixed costs (totaling approximately $163,000,000) in connection with hiring the vessels in its fleet, and substantial capacity has not yet been contracted for use by others. See Note 9 to the consolidated financial statements.

Future results of operations may be adversely affected as a result of the outcome of pending litigation, although Occidental, on the basis of opinions of legal counsel, believes that such litigation is not likely to have a material adverse effect on the business of Occidental. Future operations could also be adversely affected by the inability of Occidental to recover its investment, which was reduced in 1974 to estimated realizable values, in its real estate operations, or to recover its investment in its refinery under construction in the United Kingdom. See Note 5 to the consolidated financial statements. Because Occidental is heavily engaged in international operations, future currency fluctuations can continue to have a material impact on operating results.

Lines of business

The following tables set forth the amounts and percentages of net sales and of income from continuing operations, before gains (losses) from emergency fleet position, interest, income taxes (but after Libyan income taxes), losses from discontinued operations, extraordinary items and unallocated corporate costs of Occidental's lines of business during the five years ended December 31, 1975.

Net Sales

Year Ended December 31,

(amounts in millions)

Lines of Business	1971 Amt.	1971 %	1972 Amt.	1972 %	1973 Amt.	1973 %	1974 Amt.	1974 %	1975 Amt.	1975 %
OIL AND GAS OPERATIONS:										
International production and exploration(1)	$ 367.0	16%	$ 353.0	15%	$ 438.5	15%	$1,492.2	27%	$ 866.4	16%
International crude oil marketing, refining and marine transportation	382.3	17	338.3	14	438.6	15	317.5	6	523.3	10
North American crude oil marketing and transportation	559.0	24	584.5	24	752.2	24	1,453.9	26	1,662.0	31
United States production and exploration(2)	15.8	1	16.3	1	18.8	1	23.9	—	16.6	—
Total	1,324.1	58	1,292.1	54	1,648.1	55	3,287.5	59	3,068.3	57
CHEMICAL OPERATIONS:										
Industrial chemicals and other	170.3	7	184.1	8	209.5	7	349.4	6	476.0	9
Plastics	158.4	7	190.2	8	249.8	8	304.7	6	238.8	5
Metal-finishing chemicals, equipment and processes	161.1	7	205.6	8	289.3	10	360.5	7	264.2	5
Agricultural chemicals, fertilizers and related products	219.2	10	255.4	11	316.0	10	674.0	12	606.2	11
Total	709.0	31	835.3	35	1,064.6	35	1,688.6	31	1,585.2	30
COAL OPERATIONS(3)	247.2	11	255.1	11	301.1	10	561.3	10	657.1	12
OTHER	—	—	—	—	—	—	.1	—	35.3	1
TOTAL NET SALES	$2,280.3	100%	$2,382.5	100%	$3,013.8	100%	$5,537.5	100%	$5,345.9	100%

(1) Excludes intercompany revenues from sale of crude oil to Occidental's international crude oil marketing and refining operations at a transfer price based on prices agreed to in current contracts with others. On the basis of such prices, sales by Occidental's Libyan production operations to its international crude oil marketing and refining operations aggregated approximately (amounts in millions) $148 in 1971, $123 in 1972, $209 in 1973, $126 in 1974 and $200 in 1975.

(2) Excludes the oil and gas operations of Canadian Occidental Petroleum Ltd., 82 per cent-owned by Hooker Chemical Corporation, which are included under chemical operations—industrial chemicals and other.

(3) Excludes intercompany revenues from sale of coal to Occidental's other divisions.

	Income									
	Year Ended December 31,									
	1971		1972		1973		1974		1975	
Lines of Business	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
	(amounts in millions)									
OIL AND GAS OPERATIONS:										
International production and exploration(4)	$ 31.0	30%	$33.1	35%	$ 43.2	20%	$ 100.8	22%	$ (62.8)	(21)%
International crude oil marketing, refining and marine transportation(4)	39.4	39	(6.7)	(7)	66.8	30	(3.5)	(1)	(14.2)	(5)
North American crude oil marketing and transportation	14.0	14	15.4	16	19.4	9	54.1	12	39.0	13
United States production and exploration(2)	4.7	5	1.6	1	.7	—	1.7	—	1.8	1
Total	89.1	88	43.4	45	130.1	59	153.1	33	(36.2)	(12)
CHEMICAL OPERATIONS:										
Industrial chemicals and other	13.7	13	15.2	16	17.2	8	49.7	11	87.8	29
Plastics	(4.3)	(4)	10.6	11	22.4	10	33.3	7	22.5	7
Metal-finishing chemicals, equipment and processes	8.1	8	13.6	14	21.7	10	9.7	2	(9.4)	(3)
Agricultural chemicals, fertilizers and related products	3.8	4	10.5	11	24.5	11	95.7	21	70.0	23
Total	21.3	21	49.9	52	85.8	39	188.4	41	170.9	56
COAL OPERATIONS	4.4	4	8.3	9	15.8	7	131.1	28	173.9	58
OTHER(5)	(13.0)	(13)	(6.1)	(6)	(11.1)	(5)	(9.7)	(2)	(6.8)	(2)
INCOME FROM CONTINUING OPERATIONS BEFORE ITEMS ENUMERATED BELOW	101.8	100%	95.5	100%	220.6	100%	462.9	100%	301.8	100%
Gain (loss) from emergency fleet position	(87.9)		2.7		26.0		12.1		—	
Interest income	17.9		7.5		9.1		18.8		22.7	
Interest and debt expense	(80.4)		(66.0)		(104.1)		(100.9)		(73.2)	
Income taxes (other than Libyan income taxes)	(10.7)		(9.8)		(14.7)		(44.2)		(44.1)	
Discontinued operations(6)	(8.8)		(5.1)		(48.1)		(42.0)		(2.7)	
Extraordinary items	(8.5)		.9		—		—		—	
Unallocated corporate costs	(12.6)		(17.3)		(28.3)		(29.5)		(32.5)	
NET INCOME (LOSS)	$ (89.2)		$ 8.4		$ 60.5		$ 277.2		$ 172.0	

(4) Included in the net income from international production and exploration is income recognized on sales to Occidental's international crude oil marketing and refining operations calculated on the basis of the transfer prices described in note (1) on page 82.

(5) Occidental Research Corporation and other operations.

(6) European retail petroleum marketing operations and domestic real estate, both discontinued in 1974. See Note 3 to consolidated financial statements.

Comments on lines of business

The dollar amounts of Occidental's income contributed by international production and exploration decreased steadily until 1973 primarily as a result of reduced production in Libya. Even though production in Libya continued to decline in 1974, the dollar amounts of Occidental's sales and income contributed in 1974 by international production and exploration more than doubled as a result of a quadrupling of crude oil sales prices.

During 1975, sales contributed by international production and exploration operations declined substantially and these operations resulted in a loss primarily as a result of reduced production in Libya including a suspension of Occidental's operations from October 1, 1975, until early December, a significant reduction in Occidental's profit margins on Libyan operations and the write-off of Occidental's investments in Venezuela, Nigeria and certain other areas. (The tax benefit of $41,500,000 resulting from the write-off is included on the line "Income taxes other than Libyan income taxes.")

The decline in sales and income in 1972 in international crude oil marketing, refining and marine transportation was attributable primarily to declining tanker rates. The 1973 increases resulted from improved tanker charter rates and improved demand for crude oil and for refined petroleum products. In addition, income reflected "inventory profits" which resulted from substantially higher prices for crude oil and refined petroleum products.

The decline in both sales and income from international crude oil marketing, refining and marine transportation in 1974 resulted primarily from Occidental's decision to refine only small amounts of crude oil for its own account in view of the fact that refined petroleum product prices did not keep pace with the rising price of crude oil and from lower marine charter rates. In 1975, sales increased because of increased refining; however, losses from this line of business increased because of significantly lower marine charter rates. If current adverse factors affecting marine transportation continue in 1976, this line of business may continue to be unprofitable.

The emergency fleet reserve of $65,000,000 provided in 1971 reduced the cost of the emergency fleet vessels used in 1972, 1973 and 1974. Had the reserve not been established, the cost of emergency fleet vessels charged to operations would have increased by $29,318,000 in 1972, $18,912,000 in 1973, $16,090,000 in 1974 and $680,000 in 1975. Emergency fleet vessels have been used to carry petroleum for Occidental and for subcharter to third parties. The cost of all emergency fleet vessels has been charged to operations at the net cost after deduction of the reserve on a per voyage basis. Had the reserve not been established, the cost of vessels used by Occidental would have been increased by $10,418,000 in 1972, $7,330,000 in 1973 and $2,244,000 in 1974, with no increase in 1975. The cost of ships used for subcharters to others would have been similarly increased by $18,900,000, $11,582,000, $13,846,000 and $680,000 in the respective periods. See Note 9 to consolidated financial statements.

Net sales and income from North American crude oil marketing and transportation increased substantially during 1974, primarily as a result of unusual demand factors and increased crude oil prices, together with increased compensation for service work which included common carrier truck and pipeline movement for others. The sale of refined petroleum products, resulting from certain crude oil processing arrangements, and the sale of foreign crude oil also contributed to the increase in income in 1974. Sales for 1975 increased over 1974 principally because of increased prices. Income for the same period declined because costs increased more than prices. Occidental expects a further decline in income in its North American crude oil marketing and transportation operations in 1976 from the 1974 and 1975 levels primarily because of a reduction in the overall level of crude oil production in the principal areas of its operations and increased competition for such crude oil. In addition, Occidental expects the recently adopted Energy Policy and Conservation Act to have the effect of reducing revenues from its North American crude oil marketing and transportation operations, but it cannot predict the effect of this act on its earnings.

Income from chemical operations in 1971 was at a reduced level due to industry overcapacity and general decline in business activity, particularly in the United States. Subsequent gains in chemical operations through 1974 resulted from increased sales as a result of strong demand and price increases for many of Hooker's chemical products in excess of increased costs. Occidental experienced decreased demand for some of its chemical products in 1975 as a result of depressed economic conditions and expects to continue to experience decreased demand for some of its chemical products in 1976.

Net sales and income from industrial chemicals and other products increased substantially in 1974 as a result of increased demand and higher prices. Price increases primarily accounted for the increase in sales and income for 1975 as compared to 1974.

Results of plastics operations were adversely affected in 1971 primarily as a result of technical problems in the manufacture of coated fabrics and related 1971 inventory adjustments, underutilization of plant capacity and, particularly in the case of phenolic resins and molding compounds, increased costs without corresponding price increases. Improved results from plastics operations in 1972, 1973 and 1974 were attributable principally to improvements in productivity, greater sales volume and price increases. Beginning in the fourth quarter of 1974 and continuing in 1975, there was substantial reduction in demand for plastics products and chemicals for plastics products due principally to slowdowns in the automobile, appliance and other consumer-oriented industries which caused the results for 1975 to decrease from those of the previous years.

The increases in sales and income from metal-finishing chemicals, equipment and processes in 1972 and 1973 were affected by increases in gold prices and in the value of gold inventories resulting in "inventory profits" of approximately $2,400,000 and $4,800,000 in 1972 and 1973, respectively. Revenues declined in 1975 as compared with 1974 principally because of reduced volumes and an operational change to handling gold on a consignment basis. Income from metal-finishing chemicals, equipment and processes declined in 1974 and further declined in 1975 as a result of the slow-down in the automotive, electronics and appliances industries. These operations were unprofitable in 1975 because of losses in certain foreign operations. These operations

were significantly reorganized in the latter part of 1975, and certain unprofitable operations were discontinued.

The increases in sales and income from agricultural chemicals, fertilizers and related products in 1972, 1973 and 1974 resulted from significant price increases for these products and, to a lesser extent, from increased international trading volume. Net sales and income for these products during 1975 were lower than during 1974 principally because of increased costs coupled with a softening of demand and decreasing prices, particularly in the latter part of 1975. These trends have continued in 1976.

Coal operations have been adversely affected since the enactment of the Federal Coal Mine Health and Safety Act of 1969 which increased costs of production and reduced productivity. Volumes in 1971 and 1974 were also adversely affected by industrywide strikes. The increases in sales and income in 1973 and 1974 resulted from higher prices for both metallurgical and steam coal which were favorably affected by significant increases in the price of petroleum-based fuels. Sales and income continued to increase in 1975 because of increased prices although, during the last half of 1975, net income from Occidental's coal operations declined primarily because of a regional strike, softening demand and reduced prices. Such reduced levels of demand and prices have continued in 1976.

International operations

Approximately $1,300,000,000 (37.1 per cent) of assets and $764,000,000 (33.2 per cent) of liabilities included in the December 31, 1975, consolidated balance sheets (page 60) pertain to operations outside the United States and Canada. The following table sets forth the amounts of net sales and income from continuing operations before certain items described under "Lines of Business" on page 82 which pertain to operations within the United States and Canada and outside such countries during the five years ended December 31, 1975.

	Year Ended December 31,									
	1971		1972		1973		1974		1975	
	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income
	(amounts in millions)									
U.S. and Canada	$1,435	$ 23	$1,472	$ 47	$1,751	$ 84	$2,827	$282	$3,085	$292
Outside U.S. and Canada	845	79	910	49	1,263	137	2,710	181	2,261	10
Total	$2,280	$102	$2,382	$ 96	$3,014	$221	$5,537	$463	$5,346	$302

Price ranges of common shares and preferred stocks

	*Preferred Stocks				Common Shares
Quarter	$4.00	$3.60	$2.50	$2.16	
1975:					
First	51 to 42	49-3/4 to 40-3/4	—	27-3/4 to 22-1/8	15-5/8 to 12-5/8
Second	62-3/4 to 44-5/8	64-7/8 to 43	22-7/8 to 19	33-1/4 to 23-1/2	20 to 13-1/8
Third	70-3/4 to 53	73 to 54-1/4	22-3/4 to 20-3/4	36 to 26-3/4	22-5/8 to 16-5/8
Fourth	55-1/2 to 44-3/4	58 to 43-5/8	21-7/8 to 20-1/8	28-3/4 to 23-1/8	18 to 13
1974:					
First	50 to 41-5/8	48-1/8 to 39	—	27-1/2 to 22-3/4	13 to 8-1/4
Second	45-3/4 to 42	42-1/2 to 39-3/8	—	25 to 22-3/8	10 1/2 to 8
Third	43-3/8 to 34	40-7/8 to 31	—	24 to 19-1/4	10-3/8 to 7-3/8
Fourth	47-7/8 to 34-5/8	47-5/8 to 32-3/4	—	27 to 20-3/8	14-5/8 to 8

Dividends have been paid on the preferred stocks at the stated annual rate in quarterly installments each year. A quarterly dividend of 25 cents per common share (annual rate of $1.00) was declared in November, 1974 and was paid on January 15, 1975, and dividends have been paid quarterly at the same rate since.

*The $8.00 preferred stock is excluded from the table as it is not publicly traded.

Divisions and Subsidiaries

CORPORATE HEADQUARTERS

Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024

Occidental International Corporation
1747 Pennsylvania Avenue N.W.
Washington, D.C. 20006

Oil and Gas Division

HEADQUARTERS
Occidental Oil and Gas Corporation
2000 South Post Oak Road
Houston, Texas 77056

OIL AND GAS EXPLORATION AND PRODUCTION

Occidental Exploration and Production Company
5000 Stockdale Highway
Bakersfield, California 93309

INTERNATIONAL REFINING AND TRANSPORTATION

Occidental International Oil, Inc.
Portland House, Stag Place
London SW1 5BY, England

CRUDE OIL MARKETING

The Permian Corporation
2000 South Post Oak Road
Houston, Texas 77056

Occidental Crude Sales, Inc.
2000 South Post Oak Road
Houston, Texas 77056

MINERALS

Occidental Minerals Corporation
Irongate Building IV
777 South Wadsworth Boulevard
Lakewood, Colorado 80226

Island Creek Coal Division

HEADQUARTERS
Island Creek Coal Company
2355 Harrodsburg Road
Lexington, Kentucky 40504

Research and Development Division

Occidental Research Corporation
1855 Carrion Road
La Verne, California 91750

Hooker Chemical Division

HEADQUARTERS
Hooker Chemical Corporation
1900 St. James Place
Houston, Texas 77056

CHEMICALS AND PLASTICS DIVISION

HEADQUARTERS
Hooker Chemicals & Plastics Corp.
345 Third Street
Niagara Falls, New York 14303

METAL INDUSTRIES DIVISION

HEADQUARTERS
Oxy Metal Industries Corporation
21441 Hoover Road
Warren, Michigan 48089

AGRICULTURAL CHEMICALS, FERTILIZERS AND SULPHUR DIVISION

Occidental Chemical Company
2000 South Post Oak Road
Houston, Texas 77056

International Ore & Fertilizer Corporation
1230 Avenue of the Americas
New York, New York 10020

CANADA

Canadian Occidental Petroleum Ltd.
550 Sixth Avenue S.W.
Calgary, Alberta, Canada T2P 0S3

Registrars

Bank of America
National Trust & Savings Association
(Common and convertible preferred stocks only)
Los Angeles, California

The Chase Manhattan Bank
(National Association)
(Common and $2.50 cumulative preferred stooks only)
New York, New York

Citibank, N.A.
($4.00 convertible preferred stock only)
New York, New York

Chemical Bank
($3.60 and $2.16 convertible preferred stocks only)
New York, New York

Montreal Trust Company
(Common stock only)
Toronto, Ontario, Canada

Security Pacific National Bank
($2.50 cumulative preferred stock only)
Los Angeles, California

Transfer Agents

The Chase Manhattan Bank
(National Association)
New York, New York

Security Pacific National Bank
Los Angeles, California

Canada Permanent Trust Company
(Common stock only)
Toronto, Ontario, Canada

Warrant Agents

The Chase Manhattan Bank
Security Pacific National Bank

Debenture Trustee

Bank of America
National Trust & Savings Association
Los Angeles, California

Debenture Authentication Agen

Bankers Trust Company
New York, New York

Note Trustee

Manufacturers Hanover Trust Compan
New York, New York

Auditors

Arthur Andersen & Co.
Los Angeles, California

Stock Exchange Listings

COMMON STOCK

New York Stock Exchange
Pacific Stock Exchange
Amsterdam Stock Exchange
Antwerp Stock Exchange
Brussels Stock Exchange
Dusseldorf Stock Exchange
Frankfurt Stock Exchange
Hamburg Stock Exchange
The Stock Exchange, London
Toronto Stock Exchange

PREFERRED STOCKS

New York Stock Exchange

DEBENTURES, NOTES AND WARRANTS

New York Stock Exchange

OXY, HOOKER, DUREZ, SEL-REX, UDYLITE, INTERORE and OXYCHEM, mentioned in this annual report, are trademarks of Occidental Petroleum Corporation or one of its subsidiaries registered in the United States or other countries throughout the world. CANOXY, FLASH PYROLYSIS, PARKER, OMIC and RUCO, also mentioned, are other trademarks used by Occidental subsidiaries.

Annual Report on Form 10-K

Occidental Petroleum Corporation's annual filing with the Securities and Exchange Commission (form 10-K) is available without charge to shareholders who request it by writing to:

Paul C. Hebner, Secretary
Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024

Occidental Petroleum Corporation, 10889 Wilshire Boulevard, Los Angeles, California 90024